



Information Memorandum

Dated: 14 September 2016

Asset Resolution Limited

ACN 159 827 871

This is an Information Memorandum dated 14 September 2016.

This Information Memorandum has been prepared in connection with Asset Resolution Limited's application for admission to the Official List of the NSX. No offer of securities is being made pursuant to this Information Memorandum and this document is not a prospectus, investment statement, product disclosure statement or offer information statement.

Information Memorandum

CONTENTS

1.Investment Overview	6
1.1 Key features of business model	6
1.2 Key strengths	7
1.3 Key risks	8
1.4 Interests, benefits and related party transactions	8
1.5 Restricted Securities	8
2.Letter from the Chairman	9
3.Business Description	11
3.1 History of Asset Resolution Limited	11
3.2 What are the growth, outlook and opportunities for ARL?	14
3.3 What is the rationale behind ARL's strategy?	15
3.4 Nature of Company returns	17
3.5 What are the Distressed Asset criteria employed by ARL?	17
3.6 Who will manage the Company and its investment portfolio?	18
4.Board Management and Governance	19
4.1 Directors and senior management	19
4.2 Corporate governance	21
4.3 The Board	21
4.4 Board committees	22
4.5 Corporate governance policies	23
4.6 Departures from the Recommendations	24
4.7 Arrangements with Directors and management	25
4.8 Directors' and Officers' remuneration	25
4.9 Directors' interests in Shares and other securities	26
4.10 Deeds of Indemnity and Access	27
4.11 Other information	27
5.Risk Factors	28
5.1 General risk factors	28
5.2 Business risk factors	29

6.Summary Financial Information	33
6.1 Introduction to financial information	33
6.2 Summary of historical financial performance since incorporation	33
6.3 Other financial disclosures	34
6.4 Working capital statement	34
7.Additional information	35
7.1 Incorporation and registered address.....	35
7.2 Capital structure.....	35
7.3 Substantial Shareholders.....	37
7.4 Rights attaching to Shares.....	37
7.5 Subsidiaries	39
7.6 Material contracts	39
7.7 Related party agreements.....	39
7.8 Disclosure of directors interests	39
7.9 Escrow	40
7.10 NSX waivers and confirmations	40
7.11 Selling Shares on the NSX and CHESS	40
7.12 Litigation and claims.....	40
7.13 Consents to be named and disclaimers of responsibility	40
7.14 Ownership restrictions.....	41
7.15 Governing law of Australia.....	41
7.16 Director's signatures	41
8.Glossary of Terms	42
9.Corporate Directory	43
Appendices.....	44

Important Notices

Information

This Information Memorandum is prepared as at and dated 14 September 2016 and is current as at this date. This Information Memorandum has been prepared for the purposes of the Listing of Asset Resolution Limited ACN 159 827 871 (**Company**) on the National Stock Exchange of Australia Limited (**NSX**) and the quotation of its Fully Paid Shares on the financial market operated by NSX. The Company will not raise any capital as part of the NSX listing process, and only issues the Information Memorandum for the purposes of a compliance listing on the NSX.

The information and data contained in this Information Memorandum may not be complete and has not been verified by the Company or any other person (not limited to any person named in this Information Memorandum).

Purpose - NSX Listing

This Information Memorandum is presented for informational purposes only. It has been prepared solely for the purpose of assisting investors in evaluation the Company and its operations. This Information Memorandum document is not intended to be a prospectus, investment statement, product disclosure statement or offer information statement and does not constitute an offer of securities or an invitation to apply for the issue of securities, either expressly or by implication, in any jurisdiction.

An application has been made for listing of the Company's securities listed in this Information Memorandum on the official list of the NSX.

If the Company's application is successful, its NSX ticker code will be ASS. If and when this occurs, the Listing Rules will apply to the Company (subject to any waivers or rulings given from time to time by the NSX). The Company is seeking the NSX Listing Rule waivers and confirmations as set out in Section 7.10.

The fact that the NSX may list the securities of the Company is not taken to be in any way as an indication of the merits of the Company or the listed securities.

The NSX takes no responsibility for the contents of this Information Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Information Memorandum.

A copy of this Information Memorandum has not been lodged with ASIC as this Information Memorandum is not a disclosure document for the purposes of the Corporations Act. Neither ASIC or the NSX take responsibility for the contents of this Information Memorandum.

Nominated Advisor

The Listing Nominated Advisor assumes no responsibility for the accuracy or completeness of the information contained herein (financial, legal or otherwise). In making an investment decision, investors must rely on their own examinations of the Company and the terms of this Information Memorandum, including the merits of risks involved. Moreover, the contents of this Information Memorandum are not to be construed as legal, business or tax advice. Each prospective investor is urged to consult its own lawyer, business or tax advisor for advice.

Investment decisions

No offer of securities is being made under this Information Memorandum. This Information Memorandum does not take into account each investor's investment objectives, financial situation or particular needs. Neither the Company nor any other person guarantees the performance of the Shares or financial performance of the Company. This Information Memorandum is not financial product advice and should not be relied upon as the sole basis for any investment decision in relation to securities of the Company.

Restriction on distribution

No person may offer, sell, or deliver Shares or distribute any documents (including this Information Memorandum) to any person outside Australia, except in accordance with the legal requirements of the relevant jurisdiction.

Forward looking statements

This Information Memorandum contains certain forward-looking statements concerning the Company's business operations, financial performance and condition as well the Company's plans, objectives and expectations for its business operations, financial performance and condition. Any statements contained in this Information Memorandum that are not of historical facts may be deemed to be forward-looking statements.

These forward-looking statements are based on management's current beliefs, assumptions and expectations about the Company's business and the industry in which the Company operates. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Information Memorandum may not be relied on and may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 5.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to rely on the forward-looking statements.

These forward-looking statements are made only as at the date of this Information Memorandum. Unless, as required by law; the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. Potential investors should, however, review the factors and risks the Company describes in the reports to be filed from time to time with the NSX after the date of this Information Memorandum.

No new capital

The Company has not raised any capital during the three months before the date of issue of this Information Memorandum and will not need to raise any capital for three months after the date of issue of this Information Memorandum.

Supplementary disclosure

The Company will issue a supplementary Information Memorandum if it becomes aware of

any of the following between the date of this Information Memorandum and the date on which the Company's securities are officially quoted on the NSX:

- a material statement in this Information Memorandum is misleading or deceptive;
- there is a material omission from this Information Memorandum;
- there has been a significant change affecting a matter included in this Information Memorandum; or
- a significant new circumstance has arisen and it would have been required to be included in this Information Memorandum.

Disclosing entity

The Company is a disclosing entity under the Law and is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

Definitions

Capitalised terms used in this Information Memorandum have the specific meaning given to them in the Glossary in Section 8.

Unless otherwise indicated, all references to dates and time are to dates and time in Australia.

Suitability of investment and risk factors

Before deciding to invest in the Company by acquiring shares on market, following admission of the Company to the Official List of the NSX, prospective investors should read this entire Information Memorandum. Prospective investors should carefully consider all factors in light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer and other professional adviser before deciding to invest. The Company is unable to advise any prospective investor on the suitability or otherwise of an investment in the Company. For such advice, each prospective investor must contact their own independent professional adviser(s).

1. Investment Overview

1.1 Key features of business model

Topic	Summary
What is the business of Asset Resolution Limited (ARL)?	<p>The Company was established in 2012 to realise various distressed assets:</p> <ul style="list-style-type: none"> ■ The Distressed Property assets assigned on incorporation were all sold by late 2015 resulting in net sale proceeds of \$46 million; and ■ The Distressed Debt assets that are part of ARL's current investment portfolio have realised \$4 million to date. <p>ARL's business strategy is to acquire and manage, ideally through exercising significant or total control, an investment portfolio of Distressed Property Securities, Distressed Debt and Distressed Corporate Assets (Distressed Assets).</p> <p><i>For more information, see Section 3.1.</i></p>
How and where does ARL intend to generate returns for investors?	<p>The Company's strategy is to use ARL's existing cash and other assets to acquire further Distressed Assets that, in due course, will increase the Company's Net Asset Value in the medium to long term. The Company's current investment portfolio includes assets, being:</p> <ul style="list-style-type: none"> ■ Octaviar Administration Pty Ltd and Octaviar Limited Distressed Debt (Octaviar Debt); and ■ Raptis Group Ltd, an ASX entity that was suspended from ASX quotation from 12 September 2008 to 10 December 2015. The ARL Board considers this asset to be a potentially Distressed Corporate Asset. <p>The Company is currently looking for strategic investment opportunities primarily in the Distressed Debt, Distressed Property Securities and Distressed Corporate Asset sectors in and outside Australia. ARL has identified some current opportunities which include:</p> <ul style="list-style-type: none"> ■ Distressed Debt similar to the Octaviar Debt currently held by ARL; ■ Assets distressed as a result of uncertainty surrounding the recent Brexit referendum; ■ Assets distressed as a result of the collapse of manufacturing industries supplying vehicle assembly facilities in Victoria and South Australia; ■ Assets distressed as a consequence of the end of the mining construction boom in Western Australia, Queensland and South Australia; ■ Assets distressed by the current low prices being experienced in the minerals and energy sectors; ■ Assets distressed through the mismanaged or otherwise unsuccessful investment scheme of the promoters; ■ Assets that have become distressed through changes in, or stricter application of, bank lending criteria; ■ Assets that became distressed during the Global Financial Crisis and are only now being sold; ■ Surplus assets that are no longer required following mergers and takeovers; and ■ Assets being sold by liquidators and receivers following corporate collapses and personal bankruptcies. <p>In certain circumstances, the Company may be interested in making takeover bids for the securities of distressed companies or trusts.</p> <p><i>For more information, see Section 3.2.</i></p>

Topic	Summary
What is ARL's investment strategy?	<p>The Company's investment strategies are to:</p> <ul style="list-style-type: none"> Find new Distressed Debt, Distressed Property Securities and Distressed Corporate Assets; Acquire Distressed Assets by way of takeover, and other means, to exercise control wherever, and to the greatest extent possible; Offer acquisition consideration comprised of cash and/or ARL Shares; Manage the investment portfolio to increase the Company's Net Asset Value per Share; Reduce business costs; Improve Shareholder information and democracy; and Provide a fair mechanism for those who wish to sell their ARL Shares to do so. <p><i>For more information, see Section 3.3.</i></p>
What is the Company's investment portfolio strategy?	<p>As a guide, the ARL investments will typically comprise:</p> <ul style="list-style-type: none"> Strategic Distressed Debt, Distressed Property Securities and Distressed Corporate Assets as outlined in Section 3.2. Cash, for capital management purposes, to meet operating costs and for future acquisitions. <p><i>For more information, see Sections 3.2 and 3.3.</i></p>
What is the financial position of ARL?	<p>ARL was incorporated on 8 August 2012. ARL's balance sheet currently comprises:</p> <ul style="list-style-type: none"> Cash of approximately \$12.5 million (audited) at 30 June 2016; following the completion of the Distressed Asset, Forest Resort, whose sale resulted in a net cash inflow of \$12.7 million. Distressed Debts owed by Octaviar Administration Pty Ltd and Octaviar Limited. The value of these assets is highly uncertain and they are currently shown in ARL's accounts at zero. 1,794,840 shares in Raptis Group Ltd, which ARL received in settlement of an earlier claim. The most recent accounts of Raptis Group Ltd show that it has net assets of about \$0.01 per share, and this holding is currently shown in ARL's accounts at zero. <p><i>For more information, see Section 6.2</i></p>

1.2 Key strengths

Topic	Summary
Experienced team	<p>Mr Craig is a Chartered Accountant and is highly experienced in the investment industry, including investing in Distressed Assets.</p> <p>Mr Sergeant has successfully managed the recapitalisation, recovery and return to stability and growth of a failed resources business.</p> <p>Mr Woollard is highly experienced in acquiring and managing Distressed Assets, stockbroking, investment and funds management industries.</p> <p><i>For more information, see Sections 3.6 and 4.1.</i></p>

Topic	Summary
Platform for growth	<p>ARL is currently investigating potential targets to accumulate a larger investment portfolio of Distressed Debt, Distressed Property Securities and Distressed Corporate Assets in and outside Australia. The acquisition of suitably attractive Distressed Assets for a selected investment portfolio of Distressed Assets is expected to provide a platform to grow ARL's assets over time.</p> <p><i>For more information, see Section 3.2.</i></p>
Who are the Directors of ARL?	<p>The current Directors of ARL are:</p> <ul style="list-style-type: none"> ■ Mr Giles Craig – Non-Executive Chairman ■ Mr John Sergeant – Independent Non-Executive Director ■ Mr Fred Woollard – Non-Executive Director <p><i>For more information, see Section 4.1.</i></p>

1.3 Key risks

Topic	Summary
Implementation Risk	<p>If ARL is unable to identify and acquire suitable Distressed Assets, then Shareholders are likely to achieve poor or negative returns. One reason for this is that interest rates on bank term deposits are not high enough at the present time for ARL to generate enough interest income to pay ARL's operating expenses. The effect of this is that unless either interest rates go up, or ARL makes one or more attractive Distressed Asset acquisitions, then ARL is likely to continue losing money, albeit at a slower rate than in recent years.</p>
Investment portfolio Risk	<p>The value of particular investments that ARL acquires may fall in value over time, which may result in a reduction in the value of the assets of ARL and its Shares.</p>
Investment Risk	<p>The value of a Shareholder's investment in ARL may fall for a number of reasons, which means you may receive less if and when you sell your Shares.</p>
Liquidity Risk	<p>The ability of a Shareholder in ARL to sell their Shares on the NSX will depend on turnover or liquidity of the Shares at the time of sale. Therefore, Shareholders may not be able to sell their Shares at the time, or in the volumes or at the price they desire. It is probable that ARL Shares will trade at prices that differ from ARL's stated Net Asset Value per Share.</p> <p><i>For more information on risks, see Section 5.</i></p>

1.4 Interests, benefits and related party transactions

Topic	Summary
What significant benefits and interests are payable to Directors and other persons connected with the Listing?	<p>The Directors do not receive any direct benefit from the Listing or operations, other than the usual fees and disbursements that they would receive if the Company remained unlisted. For further information, see Sections 4.7 and 4.8.</p> <p>The Company Secretary, Victoria Allinson provides accounting, company secretarial and administration services to ARL and is reimbursed for any time and expenses incurred in the Listing process.</p> <p><i>For more information on fees, see Sections 4.7 and 4.8.</i></p>

1.5 Restricted Securities

Topic	Summary
Will any Shares be subject to restrictions on disposal following Listing?	<p>The NSX may require certain existing Shares to be treated as Restricted Securities for a period of 24 months from quotation under NSX Listing Rule Section IIA Chapter 6. The Company does not believe any Shares will be subject to such restrictions.</p> <p><i>For more information, see Section 7.9</i></p>

Information Memorandum

2. Letter from the Chairman

Dear Investor

Asset Resolution Limited (ACN: 159 827 871) is an unlisted Australian public company which is Listing on the NSX. The Company is not seeking to raise capital at this stage and the Listing is designed to provide liquidity for its Shareholders.

The Company was incorporated on 8 August 2012 to realise various Distressed Assets, especially mortgage loans, which had been in default prior to their assignment to the Company on 4 September 2012.

The majority of these Distressed Assets have now been sold. The main assets of the Company are currently:

- Cash of approximately \$12.5 million as at 30 June 2016;
- 1,794,840 shares in ASX Listed, Raptis Group Ltd, received in settlement of an earlier claim, currently shown in the accounts at zero; and
- Distressed Debts owed by Octaviar Limited and Octaviar Administration Pty Ltd, currently shown in the accounts at zero.

The objective of the Company, and the commitment it has given to the NSX, is to identify and acquire investment such as Distressed Assets that provide an attractive risk return profile:

- Within twelve months of Listing, the Company will have used at least 50% of the cash value of its balance sheet to acquire investments.

It is expected that the investments will generate income and capital gains in the medium to long term.

The Board is interested in buying investments including Distressed Debt, Distressed Corporate Assets or Distressed Property Securities to add to ARL's current investment portfolio. Distressed Debt refers to debt, which has defaulted, or is in danger of defaulting. The Distressed Property Securities we are interested in are property or mortgage trusts that have fallen into difficulty. The Distressed Corporate Assets we are interested in offer significant or total control of shares in entities that holds debt or property securities that is distressed or is considered to be at risk of becoming insolvent. A more detailed list of some of the assets that we classify as distressed is included in Section 3.2 of this Information Memorandum. The attraction of these situations is that few other investors are interested in such investments and, as a result, they may give rise to opportunities for the Company to buy investments at very attractive prices.

Such situations are often complex and may take considerable time and expertise to resolve. The Company may take large stakes in such Distressed Assets investments. It is possible that one Distressed Asset may comprise the Company's entire investment portfolio, provided that the Distressed Asset has sufficiently attractive expected returns and sufficiently low expected risk.

The Directors all have significant experience in business and in Distressed Assets (Please refer to Sections 3.6 and 4.1 for more information on the respective Directors' experience). The Directors believe that they have the right team to pursue and make acquisitions in attractive Distressed Assets.

The Directors believe that the current structural changes occurring in Australia are generating opportunities, which will be attractive for ARL. Some seven years after the Global Financial Crisis, complex financial structures are still being resolved with high quality assets being disposed of at reasonable prices. Further, the ongoing tightening of the Australian banks' capital requirements is likely to see them selling illiquid assets. The Board is of the view that the recent increase in mergers and acquisition activity in Australia may lead to a disposal of non-core assets, which may fit ARL's business strategy.

Information Memorandum

The Directors of ARL each have significant exposure to the fortunes of the Company and will continue to pursue policies that align them personally with the strategic outcomes. The Board is of the view that an active capital management policy is a key tool in maximising returns for Shareholders and to this end, the merits of a buy-back of our own capital will be one of the benchmarks against which acquisition decisions may be made. Unlike many listed companies managing a portfolio of investments, we are not incentivised to grow the Company, but do have incentives to grow underlying value per Share. Our focus is on the quality of the investments that we acquire and maximising the returns to our Shareholders.

Yours Sincerely

A handwritten signature in blue ink that reads 'Giles C Craig'.

Giles Craig

Chairman

Date: 14 September 2016

Information Memorandum

3. Business Description

3.1 History of Asset Resolution Limited



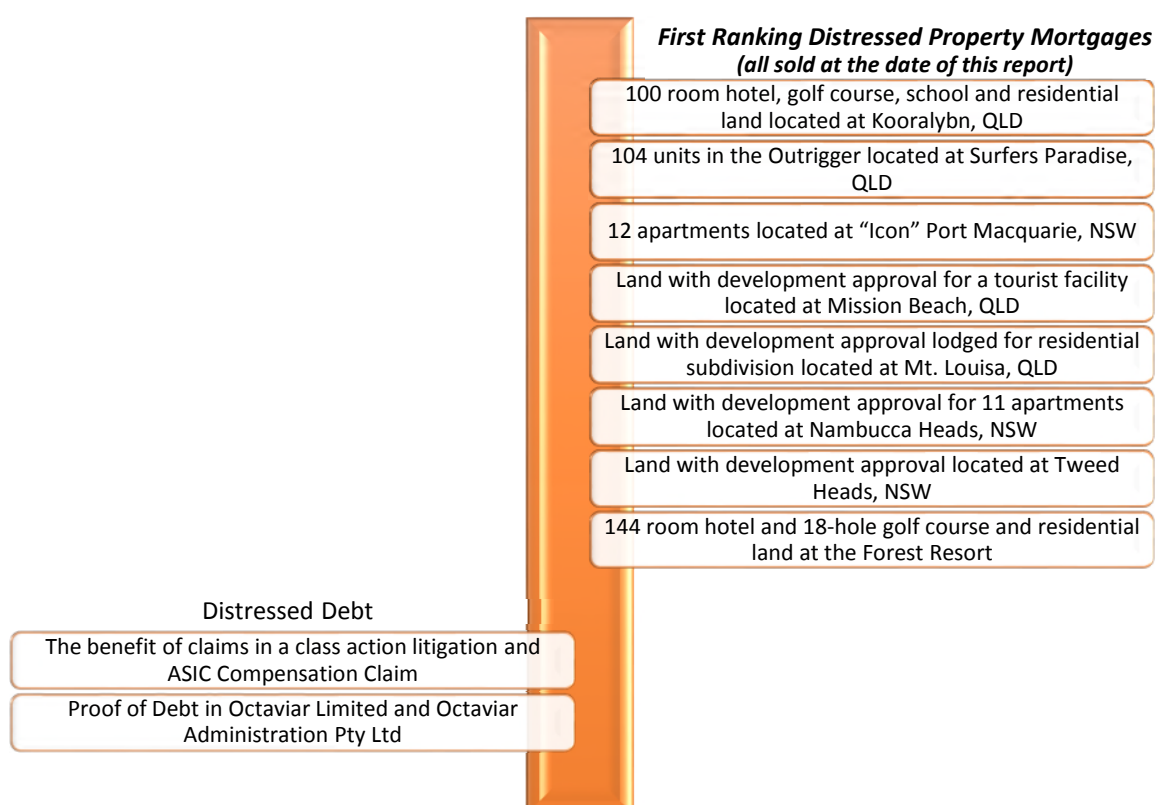
⁽¹⁾ Premium Income Fund ARSN 090 687 577 (**PIF**) (currently subject to a Strike Off Action In Progress) through Perpetual Nominees Limited as Custodian of the PIF

Information Memorandum

History of the Premium Income Fund (PIF)

- The PIF (originally called the MFS Premium Income Fund) which was established as a managed investment scheme in 1999 and promoted as a suitable investment for diversifying the income-producing segment of an investor's portfolio.
- The original purchase value of units in PIF was \$1.00 per unit.
- At its peak, the PIF had over 10,000 investors and total assets of almost \$1 billion. Unfortunately, in January 2008 the rights of investors to redeem their units out of PIF were suspended by the manager. In March 2008, the financial auditor of PIF reported significant uncertainty about whether PIF could continue as a going concern and the carrying value of assets. Wellington Capital Limited then took over the management of PIF and in October 2008 PIF was listed on the NSX.
- ARL was incorporated on 8 August 2012 as a special purpose vehicle for the realisation of assets to be acquired from the PIF. ARL has, hitherto, not made any investments on its own accord.
- The PIF was wound up and terminated on 31 March 2016. Many original investors in the MFS Premium Income Fund therefore own ARL Shares as their last source of funds recovered from the original collapse.

Distressed Asset assigned by the PIF



The current Board's appointment as ARL Directors and plans for ARL

- On 7 August 2015, ARL issued a notice of general meeting questioned by Hamilton Securities Limited, proposing to put forward resolutions to remove the then directors of ARL and to elect in their place nominees of Hamilton Securities Limited.
- On 11 September 2015, Shareholders voted to remove the existing directors of ARL, and elected the Hamilton Securities Limited nominees to the Board of ARL. The new Board members were elected based on Hamilton Securities Limited's objectives.

Information Memorandum

- Hamilton Securities Limited's objective, as outlined in the Notice of Meeting was:
 - a. to make use of the cash received from the sale of assets to acquire further assets, as opposed to returning the capital to Shareholders and winding up ARL;
 - b. to List on the NSX, to provide a liquid market for Shareholders who wish to sell their Shares; and
 - c. to change the Constitution of ARL to comply with the Listing Rules and to generally update the governance of the Company to reflect significant developments in the law, corporate governance principles and general corporate and commercial practice for a listed company; (together the **Objectives**).
- On 23 October 2015, ARL issued a notice of annual general meeting, whereby the newly formed Board of ARL commenced implementing its Objectives, including:
 - a. the re-election on rotation of Mr John Sergeant;
 - b. changing the auditor;
 - c. share consolidation;
 - d. adoption of a new Constitution; and
 - e. approval of an on-market buy-back of Shares,
 with the goal of working towards Listing on the NSX or an alternative exchange.
- On 25 November 2015, ARL held its annual general meeting, where each of the resolutions passed to implement the new Objectives of ARL. The Board and its advisors engaged with the strong showing of Shareholders at the AGM affording them with opportunities to ask questions on ARL's Objectives.

Current operations

ARL currently manages the following investment portfolio:

- Distressed Debt of approximately:
 - \$206 million by Octaviar Limited (formerly MFS Limited): and
 - approximately \$137 million by Octaviar Administration Pty Ltd (formerly MFS Administration Pty Ltd).

Although both Octaviar companies have substantial amounts of cash and other assets that are potentially available to creditors, there are legal disputes about the status of some creditors of each company. The Board understand that both companies have spent substantial amounts on liquidators' and legal fees, and it is possible that further substantial amounts could be spent before the companies are wound up and any remaining funds distributed.

For these reasons, it is impossible to forecast with confidence how much, if anything, ARL might be in a position to recover from these assets, nor is it possible to forecast when ARL might receive any money from them, if at all. Accordingly, the Directors have resolved to continue showing the Octaviar Debts at a zero value in ARL's accounts, even though it is possible that ARL may recover some money from these Distressed Debts in the future.

- Other corporate assets:
 - 1,794,840 shares in Raptis Group Ltd, a property and investment company; received in settlement of an earlier claim. The most recent accounts of Raptis Group Ltd show that it has Net Asset Value of about \$0.01 per share (as at 30 June 2016 and 31 December 2015), and this holding is currently shown in ARL's accounts at zero.

3.2 What are the growth, outlook and opportunities for ARL?

The Company is currently investigating potential targets to accumulate a larger investment portfolio of Distressed Debt, Distressed Property Securities and Distressed Corporate Assets all being classed as **Distressed Assets**, as the opportunities arise, in accordance with its business strategy.

Distressed Debt refers to debt, which has defaulted, or is in danger of defaulting. The Distressed Property Securities we are interested in are property or mortgage trusts that have fallen into difficulty. There may be occasions when we acquire shares in companies that own Distressed Assets or which are themselves considered to be at risk of insolvency or are in the process of emerging from insolvency. The attraction of these situations is that few other investors are typically interested in such assets and, as a result, it may give rise to opportunities for the Company to buy Distressed Assets at very attractive prices.

The strategic objective of the Company is to identify and acquire Distressed Assets that provide an attractive risk return profile. The Distressed Assets are generally less liquid than other investment opportunities, which fits the Company's business and risk strategy. These less liquid opportunities are unlikely ever to be fashionable or high profile but the Directors believe they have expertise in acquiring such assets at attractive prices and in extracting significant value from them.

The acquisition of Distressed Assets is often complex and may take considerable time to resolve. The Company may take large stakes in such Distressed Assets. It is possible that one Distressed Asset may comprise the Company's entire investment portfolio, provided that the Distressed Asset had sufficiently attractive expected returns and sufficiently low expected risk.

The acquisition of Distressed Assets is expected to occur:

- By takeover bid to acquire a significant/large holding or 100% if possible;
- By being prepared to assume a large stake in one particular entity; and
- By assuming control, or trying to influence it.

The acquisition consideration is likely to comprise of cash or ARL Shares, or a combination of cash and Shares. ARL can issue Shares as consideration up to the NSX maximum limit (under Listing Rules Section IIA 6.25 (subject to obtaining Shareholder approval)) of 15% of ARL Shares on issue in the previous 12-month period. Any issue above this limit would require further approval from Shareholders at a general meeting.

The Company is currently looking for strategic investment opportunities primarily in the Distressed Debt and Property sectors in Australia. ARL is committed to identifying and acquiring \$7 million of Distressed Assets investments by 30 June 2017. These current opportunities include:

- Distressed Debt similar to the Octaviar Debt currently held by ARL;
- Assets distressed as a result of uncertainty surrounding the recent Brexit referendum;
- Assets distressed as a result of the collapse of manufacturing industries supplying vehicle assembly facilities in Victoria and South Australia;
- Assets distressed as a consequence of the end of the mining construction boom in Western Australia, Queensland and South Australia;
- Assets distressed by the current low prices being experienced in the minerals and energy sectors;
- Assets distressed through the mismanagement or otherwise unsuccessful investment scheme of the promoters;
- Assets that have become distressed through changes in, or stricter application of, bank lending criteria;
- Assets that became distressed during the Global Financial Crisis and are only now being sold;
- Surplus assets that are no longer required following mergers and takeovers; and

- Assets being sold by liquidators and receivers following corporate collapses and personal bankruptcies.

ARL's investment strategy is to generate returns by active management of its investment portfolio, thereby increasing the Net Asset Value per Share in the Company. The Board's plan is to deliver the Objectives announced prior to and discussed with Shareholders at the 11 September 2015 and 25 November 2015 general meetings. The Objectives set out in Section 3.1 comprise:

1. Using the cash proceeds from the sale of the last PIF assigned asset to acquire further assets rather than paying Shareholders a capital reduction;
2. Listing on the NSX (or another exchange) to provide a liquid market for the Shareholders to sell their Shares, if they wish;
3. Update the Constitution to comply with Listing Rules and recent developments in the law (approved at the 25 November 2015 AGM);
4. Reduce operating costs (lower directors' fees, and reduced administrative and insurance costs have been achieved to date); and
5. Improve Shareholder information and democracy (website is now updated regularly).

The Shareholders of ARL have seen their initial funds decrease and endured name and management changes; the initial MFS unit holders have had their funds tied up for over 15 years. The Shareholders include many elderly Shareholders requiring an option to dispose of their Shares and end their involvement in the MFS saga. An NSX Listing is key to ARL's ability to achieve its Objectives.

3.3 What is the rationale behind ARL's strategy?

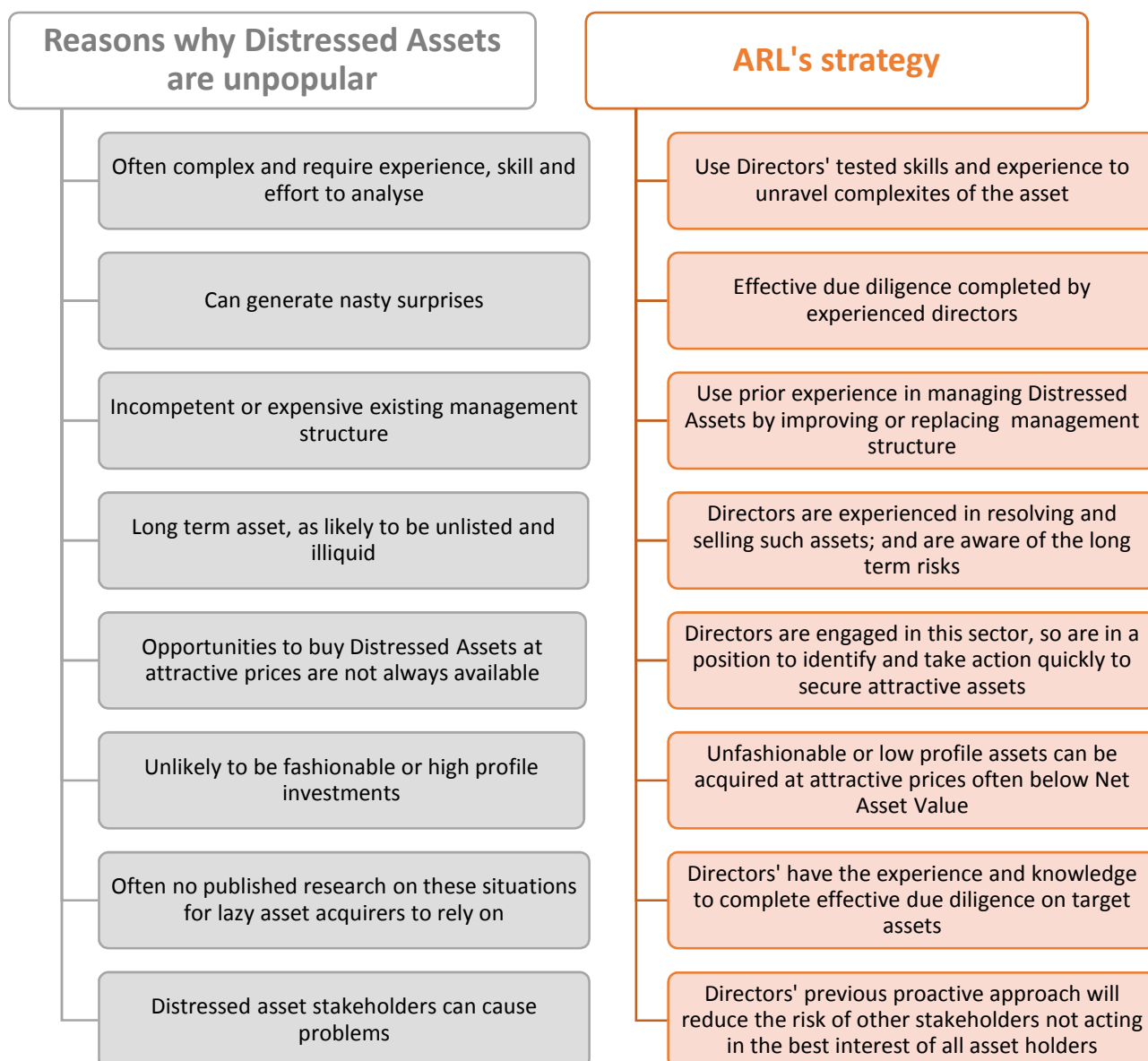
ARL aims to identify and acquire assets that provide an attractive combination of risk and return. A problem with this is that most investment markets have many participants, some smart and well-resourced, with the same objectives. As a result, most investment markets are highly competitive and it is difficult to generate returns much higher than the average (or market) return.

ARL's Directors believe that the Distressed Debt, Distressed Property Securities and Distressed Corporate Assets sectors are likely to provide attractive strategic investment opportunities for ARL. Distressed Debt refers to debt that has defaulted, or is in danger of defaulting. The Distressed Property Securities assets ARL is interested in are property or mortgage trusts that have fallen into difficulty. There may be occasions when we acquire significant or total control over companies that own Distressed Assets. The attraction of these situations is that typically few other parties are interested in them and, as a result, it is sometimes possible to buy investments at very attractive prices.

The Company may take large stakes in such Distressed Assets. It is possible that a Distressed Asset may comprise of a significant percentage of the Company's entire investment portfolio, provided that the Distressed Asset had sufficiently attractive expected returns and sufficiently low expected risk.

In certain situations, ARL might make a takeover bid for a distressed trust or company (to address or eliminate some of the factors listed above). Such bids might offer cash, or might offer ARL Shares. A situation in which we might offer Shares is one in which we want to offer investors increased liquidity for their asset, while retaining some exposure to it. Being Listed on the NSX would make ARL's Shares more attractive, if we decided to offer ARL Shares as consideration in a takeover bid.

ARL's Directors have considerable experience in these sectors, which most investors do not possess. We believe that this expertise can be used to acquire Distressed Assets at attractive prices and manage them in a way that adds substantial value in the long term. There is, of course, no guarantee that the Directors will be successful in achieving these objectives (please refer to the Risk Factors in Section 5 of this Information Memorandum).



There are many reasons that most people avoid these sectors. These often include:

- 1) Such situations are often complex and require skill and effort to analyse.
ARL's strategy will apply the Directors' previous experience in this sector to unravel the complexities behind the Distressed Asset; their complexities may include encumbrances, unusual group structures, unapproved development or other opportunities, mortgages in default, or under administration. Refer to Directors' experience in Sections 3.6 and 4.1.
- 2) Even for skilled asset acquirers who do their homework, Distressed Assets often generate nasty surprises for investors.
ARL's strategy is to complete a full due diligence review (also refer to Section 3.5) of the assets as part of its acquisition procedures to ensure that nasty surprises are identified, assessed and effectively managed. Refer to Directors' experience in Sections 3.6 and 4.1.
- 3) Distressed Assets often suffer from managements who are either incompetent, far too expensive, or who do not act in the best interests of the investors in whose interests they are supposed to act. Anyone buying a Distressed Asset in this sector should not view it as a passive asset. They should be willing and able to devote considerable time and money to actively managing the Distressed Asset.

Information Memorandum

The Company's strategy is to use its existing cash and expertise to turn Distressed Assets into saleable and/or profitable assets. Refer to Directors' experience in Sections 3.6 and 4.1.

- 4) These Distressed Assets are likely to be unlisted and illiquid. They often take a long time to resolve. If you buy such an asset, expect to be unable to sell it quickly, if ever.

ARL's Directors have expertise and ability to identify unlisted and illiquid assets that are sufficiently attractive to ensure significant value can be extracted in medium to long term. Refer to Directors' experience in Sections 3.6 and 4.1.

- 5) Opportunities to buy Distressed Assets at attractive prices are not always available. Anyone thinking of buying into this sector needs to be patient, to keep looking at different situations, but to be able to move fast when something suitable appears.

Two of ARL's Directors are engaged in this sector on a full time basis; therefore, ideally placed to act quickly when they identify an attractive Distressed Asset. Refer to Directors' experience in Sections 3.6 and 4.1.

- 6) Distressed Assets are unlikely to be fashionable or high profile.

ARL's Directors have experience in converting unfashionable or low profile assets to fashionable or high profile assets. Refer to Directors' experience in Sections 3.6 and 4.1.

- 7) There is often no published research on these situations for lazy asset acquirers to rely on.

ARL's Directors have the expertise and ability to complete due diligence on target Distressed Assets. Refer to Directors' experience in Sections 3.6 and 4.1.

- 8) Other Distressed Asset stakeholders such as holders of Distressed Debt cannot be relied upon to act rationally. While this can create opportunities to acquire such assets cheaply, it can cause problems if certain stakeholders or their representatives act against the interests of Distressed Asset in general.

ARL's Directors have experience with managing stakeholder relations and are aware of the issues and risks involved. Refer to Directors' experience in Sections 3.6 and 4.1.

3.4 Nature of Company returns

The Board believes that it is highly likely that the bulk of the Company's Distressed Asset returns will be generated in the form of capital gains. This may lead to periods where conservative valuation policies mean that the Company is loss making and the potential lack of income could mean that the Company depletes its cash reserves.

3.5 What are the Distressed Asset criteria employed by ARL?

ARL aims to buy investments at discounts to their risk-adjusted underlying expected Net Present Asset Value. Provided the underlying investments are safe and management is competent and supportive: or management can be easily replaced, then such purchases are likely to generate attractive returns while exposing ARL to minimal risk of loss of capital.

The Directors' due diligence assessment is likely to include (which will vary subject to the industry sector of the proposed acquisition):

- Investment security;
- Investment actual or potential liquidity;
- Identify investment complexities;
- Risk assessment including any potential nasty surprises and risks arising from the actions of other stakeholders;
- Management's abilities (or ability to be replaced);

Information Memorandum

- Investment's history, sector, location, key personnel, financial performance; and
- Administration and operating costs and the potential for savings.

As stated earlier, the quality of management and operations of the Distressed Assets is often far from ideal. Understanding the management and operations, and thinking about how we might deal with them, is a part of our decision-making process. In our view, it is about conducting a due diligence investigation that is as focused on identifying opportunities as it is on risks.

3.6 Who will manage the Company and its investment portfolio?

All three Directors of the Company have considerable experience acquiring and managing Distressed Assets:

- Frederick Woollard's asset management business specialises in investing in deep value situations, including Distressed Assets. The identification of Distressed Asset acquisition opportunities for ARL is consistent with and complementary to his other Distressed Assets and investment activities.
- Both John Sergeant and Giles Craig have operational experience managing Distressed Assets and will focus on extracting value from the Company's assets, once they have been acquired.
- Giles Craig was a member of the Henderson Private Capital investment committee, not only reviewing Distressed Asset and investment opportunities for their own merit but also for their impact on a portfolio of similar assets. As a Chartered Accountant, he has a strong background in corporate governance and he also has a proven track record in raising capital when required.
- John Sergeant has built a successful company and sold it and is in the process of turning around another company with a troubled history.
- Giles Craig and John Sergeant have worked with Frederick Woollard in other businesses and have complementary skills. The structure of the Board and the complementary proposed activities of ARL with the other activities of the Directors make it a cost effective way for ARL to operate. However, while this is an advantage for ARL, the different interests of each of the Directors allow for possible conflicts of interest to be managed (please refer to the Risk Factors in Section 5 of this Information Memorandum).

In addition to the significant work that each Director has undertaken since being elected in September 2015, all three directors have committed to devote significant time to their responsibilities towards ARL following its Listing.

Information Memorandum

4. Board Management and Governance

4.1 Directors and senior management

Giles Cameron Craig BSc Econ (Hons), FCA
Non-Executive Director, Chairman



Board member since September 2015.

Giles Craig is an Executive Director of Hamilton Securities Limited, an NSX-listed investment company, and is a member of the compliance committee of RateSetter Australia RE, a peer-to-peer lender.

He was previously Managing Director of Cameron Stockbrokers Limited, a Sydney-based private client stockbroker. Prior to that, he was Head of Private Clients at AMP Capital, Head of Distribution at Henderson Private Capital and worked in Corporate Finance at Merrill Lynch and in Mergers and Acquisitions at Morgan Stanley.

He qualified with Ernst & Whinney as a Chartered Accountant in 1986.

He has both investment and operational experience with distressed and challenging companies and trusts. Hamilton Securities Limited has examined a number of Distressed Asset opportunities during the last six years. It made a takeover offer for Timbercorp Orchard Trust Debentures in 2010, following the collapse of the Timbercorp group. This was an investment, which proved to be successful. The Trust's main assets were Kangara Estate, a citrus orchard and wine grape vineyard located near Renmark in South Australia, and Costa's Crest and Bella Vista table grape vineyards, located near Euston in New South Wales.

In 2015, Hamilton Securities bid for Asset Resolution Limited and, as a result, became its third largest Shareholder. Since then, the Company has drastically reduced its operating costs, improved its governance structures and has disposed of its interest in Forest Resort.

In addition to his experience in evaluating Distressed Asset opportunities, Mr Craig's operational experience in both large and small companies will be available should any of the Company's investments require this input.

John David Sergeant BSc, BA(Hons I), FAMSRS, GAICD
Independent Non-Executive Director



Board member since September 2015.

Mr Sergeant is a private investor, and has been a business consultant for most of his career. He holds degrees in Biological Sciences and Psychology from the University of Sydney, where he was a lecturer in the Business School, teaching at the postgraduate level.

Mr Sergeant has been a co-investor, with Mr Woollard, in a number of Distressed Asset situations over the last 15 years. He has benefitted from the tendency of markets to over-shoot on the downside in times of uncertainty for individual assets and businesses, and during volatility in markets themselves. Not all of his investments in Distressed Assets have been successful but most have.

Prior to joining the Board of ARL, John managed a number of successful consultancy businesses and served on the boards of Australian and multinational professional services firms.

In recent years, Mr Sergeant has ceased being a passive investor and has involved himself actively in the management of Distressed Assets. He is a board member of ASX-listed Kangaroo Island Plantation Timbers Ltd (KPT) and has helped in the successful recapitalisation, recovery and return to stability and growth of that business, achieving very strong capital growth for its shareholders. In fact, he helped to achieve a more than tenfold increase in the share price of KPT during his time as a director and as Managing Director.

Information Memorandum



Should one or more of ARL's investment portfolio require active involvement in order to secure a positive outcome for Shareholders, Mr Sergeant has the professional and personal experience needed to represent ARL's interests.

Frederick Raymond Woollard BEc, GAICD Non-Executive Director



Board member since September 2015.

Mr Woollard is Managing Director of Samuel Terry Asset Management, which manages the Samuel Terry Absolute Return Fund, ARL's largest Shareholder. He has worked in the stockbroking and funds management industry for over 30 years. From 1989 to 1998 he worked in London and Monaco as an investment analyst and fund manager for a family office. During this time, Fred was involved in a number of distressed debt and property investments in Australia and other countries.

In 2000, Mr Woollard joined Hunter Hall International Limited, an Australian investment manager, as an executive director based in London. He oversaw Hunter Hall's investments in the UK, Europe and America.

In 2003, he returned to Australia to establish the Samuel Terry Absolute Return Fund (**Fund**). This Fund has achieved good returns for its investors, helped by its investments in Distressed Assets.

He is currently a member of the boards of a number of private companies and the St Andrew's College Foundation.

He is a director of one other public company, Hamilton Securities Ltd, ARL's third largest Shareholder. He has evaluated many investment opportunities for Hamilton Securities Ltd and was part of the team that bid for Timbercorp Orchard Trust Debentures and attempted to buy the sandalwood plantations previously managed by Elders. He also worked on the take-over offer for ARL.

Mr Woollard was a director of ASX-listed Kangaroo Island Plantation Timbers Ltd from March 2008 to March 2015, during which time the company was successfully recapitalised, and put on a secure operational footing.

Victoria Marie Allinson FCCA, AGIA Company Secretary



Appointed 1 October 2015.

Ms Allinson is a Fellow of the Association of Certified Chartered Accountants and a member of the Governance Institute of Australia. She has over 25 years' accounting and auditing experience, including senior accounting positions in a number of listed companies and audit manager for Deloitte Touche Tohmatsu.

She is currently Company Secretary and Chief Financial Officer (CFO) for Kangaroo Island Plantation Timbers Ltd and CFO for a number of other entities.

Previously, Ms Allinson has been company secretary and CFO for a number of other Listed companies, including Safety Medical Products Ltd, Centrex Metals Ltd, Rampart Energy Ltd, Adelaide Energy Ltd, Island Sky Ltd, Enterprise Energy NL and Red Gum Resources Ltd, as well as a number of unlisted companies. Ms Allinson is therefore well-placed to ensure that ARL complies with the Listing Rules and conducts its business in a way that reflects high standards of corporate governance and transparency. Ms Allinson has also been involved in the Initial Public Offering of Centrex Metals Ltd, Red Gum Resources Ltd, Adelaide Energy Ltd and Island Sky Limited.

As a Company Secretary, Ms Allinson has experience in preparing documentation for a number of corporate actions such as rights issues, on-market buy backs and granting consideration in the form of shares. This experience will be useful in the event that ARL needs to take these steps in pursuit of its business objectives.

Through her Company, Allinson Accounting Solutions Pty Ltd, Ms Allinson provides cost-effective accounting, administrative and head office functions, allowing ARL to minimise its operating costs.

Information Memorandum

4.2 Corporate governance

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted what it considers to be appropriate corporate governance policies and practices having regard to its size and nature of activities, with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations Third Edition (Recommendations).

The primary responsibility of the Board is to represent and advance Shareholder' interests and to protect the interests of all stakeholders. To fulfil this role, the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management, and monitoring the achievement of these goals.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The table in Section 4.6 provides a summary and explanation of the Company's departures from the Recommendations. The Company will also provide an explanation of any departures from the Recommendations in its future annual reports.

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed on a regular basis.

The Company's main corporate governance policies and practices as at the date of this Information Memorandum are outlined below. All of the Company's corporate governance policies, together with a copy of the Constitution, are available on the Company's website www.arlimited.com.au.

4.3 The Board

(a) Board of Directors

The Board is responsible for the corporate governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest on an ongoing basis.

The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase Shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders; and
- identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board's discussions on a fully-informed basis.

The Board currently consists of Mr Giles Craig, Mr John Sergeant and Mr Frederick Woollard.

Information Memorandum

(b) Board charter

The Board has adopted a board charter, which prescribes certain principles for the operation and structure of the Board. The charter also establishes certain principles and procedures in accordance with which the Board is required to act and allocates the functions of the Company between the Board and management of the Company. Shareholders in general meetings are responsible for the appointment of the external auditors of the Company, and the Board, from time to time, will review the scope, performance and fees of those external auditors following a recommendation from the Audit & Risk Committee.

(c) Composition of the Board

Election of Board members is substantially the province of the Shareholders in a general meeting.

However, subject thereto, the Company is committed to the following principles:

- (i) the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (ii) the principal criterion for the appointment of a new director is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board's membership but an informal assessment and induction process, facilitated in consultation with the Company's professional advisors, has been committed to by the Board.

(d) Identification and management of risk

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

4.4 Board committees

(a) Audit and Risk Committee

The Company has established an Audit & Risk Committee, which operates under an Audit & Risk Committee Charter; further details are set out in Section 4.5(d). The Audit & Risk Committee is currently comprised of the full Board, and an independent Chair, Mr John Sergeant.

(b) Remuneration and Nomination Committee

The Company has not established a Remuneration and Nomination Committee due to the size of the Company and the Board has assumed the responsibilities of this Committee. The Board will decide the remuneration of an executive Director, when one is appointed, without the affected executive Director participating in the decision making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the Listing Rules, as applicable. The determination of non-executive Director's remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The fees paid to Directors for the year ending 30 June 2015 and 30 June 2016 are set out in Section 4.8.

In addition, a Director may be paid fees or other amounts (e.g. subject to any necessary Shareholder approval, non-cash performance incentives such as options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred by them, respectively, in the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having regard to the amount considered appropriate for a company of its size and level of activity as well as the relevant Director's time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed.

4.5 Corporate governance policies

The Company has also adopted the following policies, each of which has been prepared having regard to the best practice Corporate Governance Principles and Recommendations, which are available on the Company's website at www.arlimited.com.au.

(a) Code of conduct

The Board has adopted a code of conduct, which sets basic principles of business conduct to which the Directors, officers and employees of the Company must adhere.

The Board is committed to the establishment and maintenance of appropriate ethical standards.

(b) Continuous disclosure policy

The Board has adopted a continuous disclosure policy to ensure the Company will be in a position to comply with its disclosure obligations following admission to the Official List.

Under the policy, the Company Secretary has primary responsibility for ensuring the Company complies with its continuous disclosure obligations.

(c) Security trading policy

The Board has adopted a security trading policy that provides guidelines on the sale and purchase of Securities by Directors, officers, and other key management personnel and employees of the Company and their associates. The security trading policy prohibits trading during the designated "blackout periods" and recommends trading only during certain "trading windows". The policy generally provides that the written acknowledgement of the Chairman (or the Board in the case of the Chairman) must be obtained prior to trading.

(d) Audit & Risk Committee

The Company has established an Audit & Risk Committee, which operates under an Audit & Risk Committee Charter that includes, but is not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system, the Company's risk management systems, the identification and management of business, economic, environmental and social sustainability risk and the external audit function. The Audit & Risk Committee is currently comprised of the full Board, and an independent Chair, Mr John Sergeant.

(e) Diversity policy

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has put in place a diversity policy. The diversity policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

(f) Communication policy

The Board values effective communication between the Company and its Shareholders is maintained, and ready, equal and timely access to clear and balanced information about the Company (including its financial performance, strategic plans, material developments, governance and risk profile) is available to the Shareholders to enable them to exercise their rights in an informed manner.

Information Memorandum

(g) Privacy policy

ARL respects and upholds an individual's rights to privacy protection under the Australian Privacy Principles contained in the *Privacy Act 1988* (Cth) and any similar state or territory legislation applicable to ARL's operations.

4.6 Departures from the Recommendations

The Company's departures from the Recommendations as at the date of this Information Memorandum are detailed in the table below.

This statement summarises the Company's primary corporate governance practices and its compliance with the best practice Corporate Governance Council's Principles and Recommendation as appropriate. Further details are available in the Company Corporate Governance Statement that is available on www.arlimited.com.au.

Summary of Compliance since May 2016

3rd Edition Recommendations	Comply	Comments
1.1 Role of Board and management	Yes	
1.2 (a) Background checks on directors and (b) information to be given for election of directors	Yes	
1.3 Written contracts of appointment	Yes	
1.4 Company secretary	Yes	
1.5 Diversity	Yes	
1.6 Board reviews	Yes	
1.7 Management reviews	Yes	
2.1 Nomination committee	No	Due to the size of the Company, there is no Nomination Committee; the Board undertakes the Nomination Committee's function.
2.2 Board skills matrix	Yes	See Corporate Governance Statement for further details.
2.3 Disclose independence and length of service of directors	Yes	See Corporate Governance Statement for further details.
2.4 Majority of directors independent	No	The Board believes that the current board membership is effective in the current strategic development stage of the Company.
2.5 Chair independent and not CEO	No	The Board believes that the current Chair is effective despite Mr Craig not being independent due to his related party shareholding. The Board membership is reviewed annually and a further independent non-executive chair could be recruited once the Company grows or the Board feels that circumstances have changed and an independent chair is required.
2.6 Induction and professional development	Yes	Informal induction process
3.1 Code of conduct	Yes	

3rd Edition Recommendations	Comply	Comments
4.1 Audit committee	Yes	
4.2 Audit & Risk Committee Chair and CFO certification of financial statements	Yes	
4.3 External auditor available at AGM	Yes	
5.1 Disclosure policy	Yes	
6.1 Information on website	Yes	
6.2 Investor relations program	Yes	
6.3 Facilitate participation at meetings of security holders	Yes	
6.4 Facilitate electronic communications	Yes	
7.1 Audit & Risk Committee	No	The Board believes that the current committee membership is effective, despite the Chair being the only independent member, in the current strategic development stage of the Company.
7.2 Annual risk review	Yes	
7.3 Internal audit	No	The Board believes that the Company is not of a size to warrant an internal audit function.
7.4 Sustainability risks	Yes	
8.1 Remuneration Committee	No	The Board believes that the Company is not of a size to warrant a remuneration committee. Therefore, this function is performed by the Board.
8.2 Disclosure of executive and non-executive director remuneration policy	Yes	
8.3 Policy on hedging equity incentive schemes	Yes	

4.7 Arrangements with Directors and management

The Directors are paid Directors' fees and reimbursed for expenses; there are no other arrangements in place.

The Company Secretary, Victoria Allinson provides professional accounting, administration and company secretarial services.

Refer to Section 4.8 for details of fees and remuneration.

4.8 Directors' and Officers' remuneration

(a) Non-executive Director Remuneration

Under the Constitution, the Board decides the total amount paid to each Director as remuneration for their services as a Director of the Company. However, under the Listing Rules, the total amount paid to all Non-executive Directors for their services must not exceed, in aggregate in any financial year, the amount fixed at the Company's general meeting.

Information Memorandum

The total amount currently paid to Non-executive Directors of the Company is, in aggregate \$180,000 per annum and the total pool has been fixed at \$360,000 per annum.

Each Non-executive Director of the Company has signed a Board appointment letter with the Company, which sets out the key terms of their appointment.

The remuneration (including superannuation) of existing Directors, officer and related parties for the past three (3) financial years and for this financial year is as follows:

	Short-term Cash Salary & Fees \$		
	2016 Actual	2015 Actual	2014 Actual
Directors			
Mr Giles Craig (Chairman and Director) ⁽¹⁾	48,288	-	-
Mr John Sergeant (Director) ⁽¹⁾	48,288	-	-
Mr Frederick Woollard (Director) ⁽¹⁾	48,288	-	-
Mr David Beddall (Director) ⁽²⁾	20,000	120,000	120,000
Mr Lindsay Johnston (Director) ⁽²⁾	31,116	119,720	120,675
Mr Tony Pope (Director) ⁽²⁾	27,740	110,521	100,933
Executives			
Ms Victoria Allinson ⁽³⁾	85,263	-	-
Ms Christina Sutherland ⁽⁴⁾	9,000	37,000	25,000
Total	317,983	387,241	366,608

⁽¹⁾ Appointed on 11 September 2015.

⁽²⁾ Resigned on 11 September 2015 and all amounts shown are excluding GST.

⁽³⁾ Appointed on 1 October 2015. Ms Allinson provides professional accounting, administration and company secretarial services at a fixed fee of \$38,400 per annum pre-Listing \$45,600 per annum post-Listing (2015: \$nil) invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. Additional NSX Listing, set up and other on-off fees, are expected to amount to \$56,463 in the 2016 forecast. The services are provided by Ms Allinson and her employee.

⁽⁴⁾ Appointed on 26 September 2013 and resigned on 11 September 2015.

4.9 Directors' interests in Shares and other securities

Director	Role	Shares including associate holdings	Other Securities
Giles Craig	Non-executive Director	329,129 ⁽¹⁾	Nil
John Sergeant	Non-executive Director	22,400 ⁽²⁾	Nil
Frederick Woollard	Non-executive Director	1,214,271 ⁽³⁾	Nil

- Giles Craig holds 329,129 Shares in ARL indirectly, as follows:
 - 309,129 are held in Hamilton Securities Limited in which he is a director and shareholder, these Shares were acquired at \$2 per Share; and
 - 20,000 Shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. These Shares were acquired at \$2 per Share.
- John Sergeant holds 22,400 Shares in ARL. 20,000 Shares are held indirectly in Phalaenopsis Pty Ltd ATF Sergeant Family Trust, of which he has effective control; and 2,150 Shares are held directly. John Sergeant's daughter, Genevieve Sergeant hold 250 shares directly, there have been included for transparency, even though Genevieve Sergeant is not an associate of John Sergeant. These Shares were acquired at \$2 per Share.

Information Memorandum

- Frederick Woollard holds 1,214,271 Shares in ARL indirectly, as follows:
- 309,129 are held in Hamilton Securities Limited of which he is a director and shareholder, these Shares were acquired at \$2 per Share;
 - 904,957 (of which 389,957 are held by JP Morgan Nominees Australia Limited) held by Samuel Terry Asset Management Pty Ltd as trustee for the Samuel Terry Absolute Return Fund (**STAR**) of which he is a shareholder and beneficiary; and
 - 185 Shares are held in Woollard Super Fund of which he is a beneficiary, the Shares were part of the initial Shares issued on 18 September 2012 at a notional value of \$11.30 per Share.

Related Party interests in ordinary securities

	Shares	%	Options
Giles Craig and Frederick Woollard are directors and shareholders of Hamilton Securities Ltd ⁽ⁱ⁾	309,129	6.30%	-
Frederick Woollard as a director and shareholder/beneficiary of STAR	904,957	18.45%	-
North Shore Custodians ATF The Craig Family Trust	20,000	0.41%	-
Phalaenopsis Pty Ltd ATF Sergeant Family Trust	20,000	0.41%	-
John Sergeant ⁽ⁱⁱ⁾	2,150	0.04%	-
Woollard Super Fund	185	0.004%	-
Victoria and Zoe Allinson Family Trust	324	0.007%	-

- (i) Mr Pritchard the managing director of Prichard & Partners Pty Ltd, the Company's NOMAD is also Chair and shareholder of Hamilton Securities Ltd.
- (ii) Mr Sergeant discloses that he is a unitholder in STAR, which is a substantial holder in the Company. Mr Sergeant does not have the power to direct or influence STAR in the exercise of its voting rights or in regard to the acquisition or disposal of shares. Nor does Samuel Terry Asset Management, the manager of STAR, have any power, beyond that available by virtue of being a shareholder, to direct or influence Mr Sergeant in the performance of his duties as a Director.

The NSX may impose escrow restrictions on certain Shares, as a condition of Listing. The Company does not expect the NSX to classify any Shares held by Directors and related parties as Restricted Securities. For further information, see Section 7.9.

4.10 Deeds of Indemnity and Access

The Company has entered into Deeds of Indemnity and Access with each Director. The Deed contains rights of access to certain books and records of the Company for a period of 7 years after the Director ceases to hold office. This 7-year period can be extended where certain proceedings or investigations commence before the 7-year period expires. Pursuant to the Company's Constitution, the Company may indemnify each of its Directors and officers, past and present, against liabilities that arise from their position as a Director or officer to the full extent permitted by law. Under the deeds of indemnity, access and insurance, the Company will indemnify each Director against all liabilities to another person that may arise from their position as a Director of the Company to the full extent permitted by law. The Deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

4.11 Other information

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Directors may be paid such additional or special remuneration if they, at the request of the Board, and for the purposes of the Company, perform any extra services or undertake additional tasks from time to time.

Information Memorandum

5. Risk Factors

ARL is subject to various risk factors. Some of these are specific to its business activities. Others are of a more general nature. Individually or in combination, these risk factors may affect the future operating and financial position or performance of ARL, its Distressed Asset values and returns; and the market value of the Shares. Each of the risks described below may, if it eventuates, have a material adverse impact on ARL's business, financial condition and the results of its operations. This Section 5 does not purport to list every risk that may be associated with an investment in ARL or the Shares, either now or in the future, and many of the risks described below are outside the control of ARL and its Directors and management.

This Section 5 should be read in conjunction with the other information disclosed in this Information Memorandum. There can be no guarantee that ARL will achieve its stated objectives or that the achievement of any forward looking statements will eventuate.

Before deciding whether to make an investment in the Company's Shares, prospective investors should satisfy themselves that they have sufficient understanding of the matters referred to in this Section 5 and should consider whether Shares are a suitable investment for them, having regard to their own investment objectives, financial circumstances and particular needs (including financial and tax issues). Prospective investors should seek their own professional advice from tax and other independent professional advisers before deciding whether to invest in Shares. No representation or warranty, express or implied, is given to any investors in Shares as to the tax consequences of them acquiring, holding or disposing of any Shares and neither ARL nor any of its Directors will be responsible for any tax consequences of any such investment.

5.1 General risk factors

(a) Implementation risk

The settlement of acquisitions by the Company will normally be subject to customary conditions, including satisfaction of due diligence and vendor performance requirements. Any inability to complete any acquisitions, or to complete within anticipated time frames, may harm the Company's financial results and ability to pay dividends (if the Company makes such a determination). Any inability on the part of the management of the Company to implement the acquisitions effectively may similarly harm the Company's financial results and ability to pay any future dividends.

(b) General market and economic conditions

The Company, as a publicly listed company, is subject to general market risk that is inherent in all securities listed on a securities exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of the Company.

The price of Shares quoted on the NSX may rise or fall and Shares may trade below or above the price at which an investor first acquired those Shares due to a number of factors including (but not limited to):

- general economic conditions in Australia and globally, including interest rates, exchange rates, inflation rates and commodity prices;
- fluctuations in local and global market for listed securities;
- cyclical nature of stock markets;
- the nature of markets in which the Company operates;
- general and operational business risks;
- natural disasters; or
- global hostilities, tensions and acts of war or terror.

There is no assurance that the Share price will increase following their quotation on the NSX even if the Company's earnings increase.

Information Memorandum

(c) Liquidity risk

There is no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few buyers or sellers of Shares on the NSX at any particular time. This may increase the volatility of the market price at which Shareholders are able to sell those Shares. This may result in a Shareholder receiving a market price for their Shares that is less than the price that the Shareholder paid. It is probable that the Shares will trade at a price different to the Company's Net Asset Value per Share.

(d) Additional requirements for capital

The future capital requirements of the Company will depend on many factors including its business development activities. However, the Company will not raise capital for three months from the date of this Information Memorandum. Should the Company seek to raise further funds after this period, there can be no assurance that additional financing will be available when needed or, if available, on terms acceptable to the Company. Any inability to obtain additional finance, if required, may have a material adverse effect on the Company's business and its financial condition and performance.

(e) Risk of dilution

In the future, the Company may elect to issue Shares or engage in further fundraising. While the Company will be subject to the constraints of the Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (subject to where exceptions may apply to the Company), Shareholders may be diluted as a result of such issues of Shares or future fundraisings.

(f) Taxation issues for Shareholders

An investment in Shares involves tax considerations, which may differ for each Shareholder. Each Shareholder should seek their own professional tax advice in connection with any investment in Shares.

(g) Changes in accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of the Company and its Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of the Company.

5.2 Business risk factors

(a) Investment risk

There is a risk that the value of the investments selected by the Company may decline in value. The value of the investments are dependent upon the financial circumstances of the entities in which the interests are acquired, their profits, earnings and cash flow. The return on any investment may also be affected by the quality of any internal management (if they remain), government policy and the general industry sector to which the investment relates.

(b) Distressed Asset risk

There is a risk that the value of the assets including Distressed Assets acquired by the Company may decline in value. The value of the assets is dependent upon the financial circumstances of the entities in which the interests are acquired, their profits, earnings and cash flow. The return on any asset may also be affected by the quality of any internal management (if they remain), government policy and the general industry sector to which the asset relates.

(c) Litigation risk

In the ordinary course of business, ARL may be involved in possible disputes. These disputes could give rise to litigation. While the extent of any disputes and litigation cannot be ascertained at this time, any dispute or litigation may be costly and may adversely affect the operational and financial results of ARL.

Information Memorandum

(d) Absence of dividends

The Board has yet to establish a dividend policy, and does not expect to pay dividends in the near term. While ARL continues to expand its business operations, ARL expects to continue to reinvest in its growth rather than distribute profits in the form of dividends. The ability of ARL to pay any dividend in the future is dependent on many factors. The Board does not give any assurance regarding the payment of dividends in the future.

(e) Counterparty risk

The strategies of the Company may rely on the successful performance of contracts with external counterparties, including service providers. There is a risk that these counterparties may not meet their responsibilities, including as a result of the insolvency, financial distress or liquidation of the counterparty. This may have a negative impact on the Company's ability to achieve its goals, which may in turn affect its financial performance.

(f) Leverage risk

The future strategies of the Company may require the Company to use debt, as required, to assist with the purchasing of its investment portfolio. The expected maximum gearing range is 20% (net debt/shareholders equity). The prevailing interest rates or other factors may result in higher interest rates that negatively impact its financial performance and investment portfolio values.

(g) Insurance risk

ARL maintains minimum insurance. ARL's insurance may not be of a nature or level to provide adequate insurance cover to insure against the occurrence of all events that may impact on the operations of ARL.

(h) Business strategy risk

The historical performance of the Directors or Asset Manager, if one is appointed (**Manager**) in respect of portfolios other than the Company's portfolio cannot be relied upon as a guide to the future performance of ARL. ARL's business strategy includes inherent risk. The Company's Directors have significant experience in the Distressed Asset sector; refer to Sections 1.2, 3.6 and 4.1 for further information.

The key inherent risks are:

- (i) ARL's success and profitability is reliant on the Directors creating and maintaining an investment portfolio that complies with ARL's business strategy that includes objectives and guidelines for asset acquisitions;
- (ii) Ability to manage the investment portfolio in accordance with this Information Memorandum and the Corporations Act (and all other applicable regulations and laws);
- (iii) ARL's business strategy has economic and market risks; and
- (iv) The size of ARL may result in the investment portfolio being less diverse and potentially more volatile than more diversified entities.

(i) Investment portfolio risk

The value of an investment portfolio may fall over the short or long term due to a number of reasons including due the internal or external risks listed below:

- Internal risk

- (i) Key person risk

- The investment portfolio values may decline in the short or long term as a result of changes to key personnel. The key personnel are currently the directors of ARL rather than employed managers, this mitigates some of the key employee risk;

(ii) No performance history on acquiring new Distressed Assets risk

The Company was formed to hold certain transferred Distressed Assets (refer to Section 3.1); as such has no asset acquisition performance history or track record, which could be used by an investor to make an assessment of the ability of the Company or the Directors (or a investment portfolio Manager, if appointed) to achieve the business strategy of the Company;

(iii) Concentration risk

The Company's business strategy may focus on a small number of companies, or maybe only one company. The investment portfolio may as a result be more volatile than more diverse investment portfolios, as a single Distressed Asset acquisition has a greater impact on the total investment portfolio value and performance which may impact the Company's financial performance, and its future prospects and the returns to Shareholders; and

(iv) Operational costs risk

Operational costs for ARL as a proportion of total assets will be affected by the NSX Listing. The Board will endeavour to minimise the operational costs, however operational costs representing a higher proportion of total assets will reduce the operating results of ARL and its ability to make future dividend payments.

- External risk

(i) Market risk

The investment portfolio values may decline in the short or long term as a result of general market conditions such as foreign currency exchange rates and interest rates;

(ii) Interest rate risk

The change in interest rates may result in a decline in the short or long term Distressed Asset returns. In particular, declining low interest rates, which may impact the Company's profitability for as long as the Company continues to hold a large amount of net cash;

(iii) Currency risk

The change in foreign exchange rates may result in a decline in the short or long term Distressed Asset returns and portfolio values for investments denominated in a currency other than ARL's functional currency; and

(iv) Asset risk

A particular portfolio investment value may decline in the short or long term resulting in a reduction in ARL's total investment portfolio value.

(j) Potential conflict of interest risk

The Directors that manage (until such time as the Board determine that a Manager be appointed to manage the investment portfolio) the portfolio also manage other funds and investments. It is possible therefore that they may, in the course of its business, have a potential conflict of interest which may not be managed effectively and may be detrimental to the Company and its Shareholders. The Board of ARL will endeavour to regularly review any potential or actual conflict of interest at Board meetings to mitigate the effect of this risk.

(k) Acquisition risk

The Company will actively seek to acquire various acquisitions which it believes there is scope to improve the underlying value of the Company and to further its proposed business strategy. There are inherent risks with acquisitions, including that the acquired assets do not fulfil the acquisition criteria. Furthermore, it might be the case that the acquisition requires significant improvements and acquisitions in order to increase yields. There are risks with undertaking improvements, including possible delays and cost overruns, which may negatively impact on the financial performance of the Company and potentially impact Shareholder returns.

Information Memorandum

(l) Competition risk

There is no assurance that the Company will be able to compete effectively with existing and new competitors in respect of both acquiring Distressed Assets and for its continued operations. Increased competition in respect of the business strategy of the Company may reduce the ability of the Company to acquire Distressed Assets, which may adversely affect the Company's performance.

(m) Key person dependence

The future success of the Company depends, to a significant extent, upon the continued services of the members of the Board. In particular, the relationships they have developed in respect of acquiring and managing Distressed Assets, which are critically important to the future success of the Company. The Company currently has no key man insurance in respect of the Directors. The loss of a Director would harm the Company's business and its future business.

Information Memorandum

6. Summary Financial Information

6.1 Introduction to financial information

The Financial Information contained in Appendix 1 and 2 of this Information Memorandum sets out:

- (a) the audited Full Financial Statement for the year ended 30 June 2015, that disclosed the comparative information for the year ended 30 June 2014; and
- (b) the audited Full Financial Statement for the year ended 30 June 2016.

The full financial statements of the Company for its financial years ended 30 June 2014 and 30 June 2013, which include notes to the financial statements, which are available on the Company's website on www.arlimited.com.au.

6.2 Summary of historical financial performance since incorporation

	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$	Year ended 30 June 2014 \$	8 August 2012 to 30 June 2013 \$
Results				
Revenue from ordinary activities from continuing operations	-	2,588,385	3,272,286	-
Interest income	122,128	488,074	271,004	38,864
Expenses	(1,121,738)	(2,167,067)	(2,225,158)	(2,593,566)
Profit/(loss) before impairment	(999,610)	909,392	1,318,132	(2,554,702)
Impairment gain/(loss) on mortgage loans	(1,543,328)	1,953,913	(5,928,531)	(17,466,043)
Profit/(loss) attributable to members for the period	2,542,938	2,863,305	(4,610,399)	(20,020,745)
Income tax benefit/(expenses)	490,351	(490,351)	-	-
Total income/(loss) after tax	2,052,587	2,372,954	(4,610,399)	(20,020,745)
Basic and diluted earnings per:				
Post-consolidated share	(41.84) cents	48.37 cents	(93.99) cents	(432.00) cents
Pre-consolidated share	0.21 cents	0.24 cents	(0.47) cents	(2.16) cents
Net Assets				
Cash and receivables	12,535,651	1,493,138	15,862,279	3,063,553
Financial assets	-	13,990,500	16,149,563	36,688,375
Total liabilities - current	(72,591)	(967,991)	(1,237,986)	(4,367,673)
Net Assets	12,463,060	14,515,647	30,773,856	35,384,255
Number of Shares on issue	4,905,441	980,558,167	980,558,167	980,558,167
Net tangible assets per:				
Post-consolidated share	254.07 cents	295.91 cents	627.34 cents	721.32 cents
Pre-consolidated share	1.27 cents	1.48 cents	3.14 cents	3.61 cents

Information Memorandum

6.3 Other financial disclosures

As at 30 June 2016, the Company had cash reserves of approximately \$12,461,140 (refer to Section 6.2).

The expected use of funds in the 12-month period following completion of the NSX Listing is as follows:

Item	Use of funds Cashflow	
	\$	%
Cash on hand	12,461,140	100.00%
Total Funds Available	12,461,140	100.00%
Information Memorandum and NSX Listing costs	(41,387)	(0.33)%
Acquisition of Distressed Asset	(7,000,000)	(56.17)%
Forecast net expenditures for the twelve months to 30 June 2017	(246,496)	(1.98)%
TOTAL FUNDS ALLOCATED	(7,287,883)	(58.48)%
TOTAL CASH ON HAND ESTIMATED AT 30 JUNE 2017	5,173,257	41.52%

The above estimated expenditures include cash reimbursement, payables and other expenses net of all capital gains, dividend income and interest income. The expenditure will be subject to modification on an ongoing basis depending on the results obtained from the Company's activities. Due to market conditions, the development of new opportunities or any number of other factors (including the Risk Factors outlined in Section 5), actual expenditure levels may differ significantly from the above estimates. The Company also intends to capitalise on other opportunities as they arise which may result in costs being incurred that are not included in the above estimates.

6.4 Working capital statement

The Board believes that it has sufficient working capital to achieve the Company's objectives detailed in Section 3.2. Therefore, the Company has no intention of raising additional funds for at least 3 months after its listing on the NSX.

Information Memorandum

7. Additional information

7.1 Incorporation and registered address

ARL (ACN 159 827 871) was incorporated on 8 August 2012.

The Company's registered address is 79 Angas Street, Adelaide SA 5000.

7.2 Capital structure

The fully paid issued capital of the Company as at the date of this Information Memorandum is set out in the figure below:

Capital structure

	30 June 2016	30 June 2015	30 June 2014	30 June 2013
	Number	Number	Number	Number
Movement in ordinary Shares				
Balance at the beginning of the period	980,558,167	980,558,167	980,558,167	-
Shares on issue at incorporation	-	-	-	1
Shares issued 4 September 2012 ⁽¹⁾	-	-	-	830,532,768
Share redeemed on 4 September 2012	-	-	-	(1)
Share issued 18 December 2012 ⁽²⁾	-	-	-	150,025,399
Consolidation on basis of 1:200	(975,652,726)	-	-	-
Balance at the end of the period	4,905,441	980,558,167	980,558,167	980,558,167

	30 June 2016	30 June 2015	30 June 2014	30 June 2013
	\$	\$	\$	\$
Movement in ordinary Shares				
Balance at the beginning of the period	36,773,837	55,405,000	55,405,000	-
Shares on issue at incorporation	-	-	-	1
Shares issued 4 September 2012 ⁽¹⁾	-	-	-	50,465,000
Shares redeemed on 4 September 2012	-	-	-	(1)
Shares issued 18 December 2012 ⁽²⁾	-	-	-	4,940,000
Share capital reductions ⁽³⁾	-	(18,631,163)	-	-
Balance at the end of the period	36,773,837	36,773,837	55,405,000	55,405,000

- (i) Shares issued on 4 September 2012 on the assignment of \$50,465,000 of mortgage loan from the Premium Income Fund ARSN 090 687 577 (**PIF**) through Perpetual Nominees Limited as Custodian of the PIF.
- (ii) Shares issued on 18 December 2012 on the assignment of the remaining 40% debt and charges over five companies referred to as the Forest Resort Companies at a value of \$4,940,000 from the PIF through Perpetual Nominees Limited as custodian of the PIF.
- (iii) On 28 November 2014 and 22 June 2015 respectively, ARL Shareholders voted in favour of a resolution for the Share capital to be reduced by \$18,631,163 by way of an equal capital reduction. This was effected by ARL paying to each Shareholder the amount of \$0.01 and \$0.009 per Share. The funds were transferred to Shareholders in the amounts of \$9,805,582 on 2 December 2014 and \$8,825,581 on 13 July 2015. Both of the returns of capital had the benefit of having a class ruling issued by the ATO.

Information Memorandum

Top 10

	Shares
Samuel Terry Asset Management Pty Ltd ATF the Samuel Terry Absolute Return Fund (STAR)	515,000
JP Morgan Nominees Australia Limited	389,957
Hamilton Securities Limited	309,129
Mr Peter Scarf & Mrs Ida Scarf <Scarf Super Fund>	82,500
Ioof Investment Management Ltd <Ioof Portfolio Services A/C>	73,145
Australian Executor Trustees Limited <No 1 Account>	64,191
Bond Street Custodians Ltd <ACF Macquarie Wrap>	50,194
Asgard Capital Management Limited <Asgard and IBS Holdings>	44,177
Venessa Leppinus	40,127
Sarah Lind <Kazoko Trust>	40,000
Totals: Top 10 Shareholders	1,608,420
Totals: Shareholders	4,905,441
Totals: Top 10 Shareholders % of Shares on issue	32.79%

Directors' shareholding

	Shares
Totals: Shareholders	4,905,441
Totals: Directors' shareholding	1,256,421
Totals: Non-director Shareholding	3,649,020
Totals: Non-director Shareholders % of Shares on issue	74.39%

Range Total Holders

Range: Number of Shares held	Number of Shareholders
1 – 1,000	9,092
1,001, - 5,000	504
5,001 – 10,000	24
10,001 – 100,000	19
More than 100,001	3
Total	9,642

7.3 Substantial Shareholders

The following is a list of substantial Shareholders of the Company and their associates:

Name of substantial Shareholder	Number Shares held	% of total Shares	Associate of substantial Shareholder
Samuel Terry Asset Management Pty Ltd ATF the Samuel Terry Absolute Return Fund (STAR)	515,000	10.50%	Frederick Woollard & Nigel Burgess
JP Morgan Nominees Australia Limited	389,957	7.95%	Frederick Woollard & Nigel Burgess
Nigel Burgess and his family trust	70,945	1.45%	Nigel Burgess
Woollard Super Fund	185	0.004%	Frederick Woollard
Total owned by STAR and Associates	976,087	19.90%	
Hamilton Securities Ltd (Hamilton)	309,129	6.30%	Frederick Woollard & Giles Craig
North Shore Custodians ATF The Craig Family Trust	20,000	0.41%	Giles Craig
Woollard Super Fund	185	0.004%	Fred Woollard
Total owned by Hamilton and Associates	329,314	6.71%	

7.4 Rights attaching to Shares

The following is a summary of the more significant rights and liabilities attaching to Shares in ARL. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours or on the Company's website www.arlimited.com.au. The Company will seek shareholder approval (and if approved) amend its Constitution, to ensure compliance with the NSX Listing Rules, at its next General Meeting of the Company, as the Constitution is currently compliant with the ASX Listing Rules. For the avoidance of doubt, in this section a reference to Listing Rules means to the ASX Listing Rules, which will be updated to also ensure compliance with the NSX Listing Rules.

(a) Voting

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting of members, every member present in person or by proxy, attorney or body corporate representative has one vote on a show of hands, and one vote per share on a poll. In the case of a vote on a poll, persons who hold a share, which is not fully paid shall be entitled to a fraction of a vote equal to the proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share.

(b) Dividends

The Directors may from time to time resolve to pay dividends to Shareholders and fix the amount, the timing and method of payment of that dividend in accordance with the Corporations Act.

(c) Future Issues

Subject to the Company's Constitution, the Corporations Act and Listing Rules, Directors may, on behalf of the Company, issue, grant options over, or otherwise dispose of Shares on terms determined by the Directors. The Directors may issue Shares in the Company with any preferential, deferred or special rights, privileges or conditions, or with any restrictions (whether in regard to dividend, voting, return of share capital or otherwise) as they determine.

(d) Transfer of Shares

A Shareholder may transfer Shares by a proper ASX Settlement registered transfer or an instrument in writing in any usual form, or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares only if that refusal would not contravene the Listing Rules or the ASX Settlement Operating Rules. The Directors must not register a transfer if the Corporations Act, Listing Rules or ASX Settlement Operating Rules forbid registration. The Company must not refuse to register, give effect to, delay or in any way interfere with a proper ASX Settlement transfer of other securities.

(e) Meetings and Notices

Each Shareholder is entitled to receive notice of, and to attend, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act or Listing Rules.

Shareholder may requisition meetings in accordance with the Corporations Act and the Constitution.

(f) Winding Up

Subject to the Constitution and the rights and liabilities attaching to Shares, Shareholders will be entitled in a winding up to any surplus assets of the Company in proportion to the number of Shares held by them, less any amounts, which remain unpaid on the Shares at the time of distribution. However, if this deduction results in the distribution to the Shareholder being a negative amount, the Shareholder must contribute that amount to the Company.

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Shareholders:

- divide among the Shareholders the whole or any part of the assets of the Company; and
- determine how the division is to be carried out as between the Shareholders or different classes of Shareholders, with the approval of separate general meetings of the members of each of the several classes (if applicable).

Any such division may not be otherwise than in accordance with the legal rights of the Shareholder and, in particular, any class may be given preferential or special rights or excluded altogether or in part. Where a division is otherwise than in accordance with the legal rights of the Shareholders, a Shareholder is entitled to dissent and to exercise the same rights as if the special resolution sanctioning that division were a special resolution passed under Section 507 of the Corporations Act.

(g) Shareholder Liability

No Shares are being issued pursuant to this Information Memorandum and all Shares on issue to be quoted on the NSX will be fully paid Shares, and not subject to any calls for money and will therefore not become liable for forfeiture.

Information Memorandum

(h) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(i) Listing Rules

If the Company is ever admitted to the Official List of the ASX (for the avoidance of doubt, shareholder approval will be sought to also ensure compliance with the NSX Listing Rules), then despite anything in the Constitution, if the ASX Listing Rules prohibit an act being done, that act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules requires to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If any provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

7.5 Subsidiaries

The Company has no subsidiaries at the date of this Information Memorandum.

7.6 Material contracts

There are no material contracts.

7.7 Related party agreements

Other than the directors confirmation of appointment agreement that set out Directors fees and expense reimbursement there are no related party agreements.

The Company does not have any current executive incentive scheme.

7.8 Disclosure of directors interests

This Section sets out the nature and extent of the interests and fees of certain persons involved in the NSX Listing.

Other than as set out below or elsewhere in this Information Memorandum, no

- Director
- person named in this Information Memorandum and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Information Memorandum;
- promoter of the Company; or
- financial services licensee named in this Information Memorandum as a financial services licensee involved in the Listing;

holds as at the time of the date of this Information Memorandum, or has held in the two years before the date of this Information Memorandum, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Listing;
- the Listing,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of the Company, the Listing or to any Director to induce them to become, or qualify as, a Director.

Information Memorandum

7.9 Escrow

The NSX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities held by them for up to 24 months from the date of quotation of the Company's Shares on NSX.

None of the Shares referred to in the Information Memorandum will be treated as restricted securities and will be freely transferable from their date of allotment.

The Company has no voluntary escrow arrangements in place

7.10 NSX waivers and confirmations

The Company has applied for a waiver of NSX Listing Rule 2.2 so as to not require the Company to appoint a sponsoring broker.

7.11 Selling Shares on the NSX and CHESS

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System (CHESS) in accordance with the ASX Settlement Operating Rules. CHESS is an automated electronic transfer and settlement system for transactions in securities quoted on the NSX. NSX has established a transfer service agreement between NSX and ASX CHESS. This agreement recognises the NSX as an Australian market operator pursuant to the ASX Settlement and Operating Rules and allows NSX to be a recipient of the transfer service provided by ASX.

Shareholdings will be registered on one of two sub-registers, the electronic CHESS sub-register or an issuer sponsored sub-register. The Shares of a Shareholder who is a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Any Shareholder who has elected to have their Shares registered in CHESS will be sent an initial holding statement setting out the number of Shares held. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or Shareholder Reference Number (SRN) for issuer sponsored holders. Shareholders will subsequently receive statements showing any changes in their Shareholdings in the Company.

7.12 Litigation and claims

There are no current litigation or claims against the Company.

7.13 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Information Memorandum, other than the reference to its name in the form and context in which it is named and a statement or report is included in this Information Memorandum with its consent as specified below.

Written consents to the issue of the Information Memorandum have been given and, at the date of this Information Memorandum, had not been withdrawn by the following Consenting Parties:

- MinterEllison has given its written consent to be named in this Information Memorandum as Australian legal advisor to the Company in relation to the Listing and has not withdrawn its consent;
- PKF has given its written consent for the inclusion in the Information Memorandum of its audited Annual Financial Statement 30 June 2015 in the form and context in which it is included and has not withdrawn its consent;
- Grant Thornton has given its written consent to be named in this Information Memorandum as Auditor of the Company and to the inclusion in the Information Memorandum of its audited Interim Financial Statement 31 December 2015 in the form and context in which it is named and its financial statements are included and has not withdrawn its consent;
- Allinson Accounting Solution Pty Ltd has given its written consent to be named in this Information Memorandum as Accountant of the Company and has not withdrawn its consent;

Information Memorandum

- Pritchard & Partners Pty Ltd have given its written consent to be named in this Information Memorandum as the Nominated Adviser to the Company in relation to the Listing and has not withdrawn its consent; and
- Link Market Services Limited has given its written consent to be named in this Information Memorandum as the Share Registry in the form and context in which it is named and has not withdrawn its consent. Link Market Services Limited has had no involvement in the preparation of any part of this Information Memorandum other than being named as Share Registry to the Company.

7.14 Ownership restrictions

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

- Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA)

Under FATA, if a foreign person holds, alone or with one or more associates an interest of at least 20% or more in a company it will hold a substantial interest (Substantial Interest). Where two or more persons hold an aggregate substantial interest in a company alone, or with one or more of at least 40% in a company, they are considered to hold an aggregate substantial interest (Aggregate Substantial Interest).

Under FATA, foreign persons are required to notify the Foreign Investment Review Board of certain transaction and obtain clearance from the Federal Treasurer before proceeding with the transaction. This approval and/or notification process may be relevant where a person or persons acquire a Substantial Interest in a company. If notification and/or approval is required, the FIRB has a statutory period of 30 days (which may be extended by a further 10 days, for a total period of 40 days) under which it may object to the application for approval of the proposed transaction. If a person is required to notify and/or obtain approval from FIRB but does not do so, the Treasurer is able to subsequently disallow the transaction if it is considered contrary to Australia's national interest.

- Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in a listed company either themselves or through an associate.

7.15 Governing law of Australia

This Information Memorandum is governed by the laws applicable in South Australia, Australia.

7.16 Director's signatures

A copy of this Information Memorandum is authorised and has been signed for and on behalf of each Director of the Company by their duly authorised agent, Giles Craig.

Giles Craig
Chairman and Non-executive Director
Asset Resolution Limited
Dated: 14 September 2016

Information Memorandum

8. Glossary of Terms

A\$ and \$ means Australian dollars unless specified otherwise.

ABN means Australian Business Number.

AGM means the Annual General Meeting of the Company.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691.

ATO means the Australian Taxation Office

Board means the board of directors of the Company.

Company or **ARL** means Asset Resolution Limited ACN 159 827 871.

Corporations Act means the *Corporations Act* 2001 (Cth).

Director means a director of the Company.

Distressed Asset means a Distressed Corporate Asset, Distressed Debt or Distressed Property Securities.

Distressed Corporate Assets means the shares in entities that holds debt or properties securities that is distressed or is considered to be at risk of becoming insolvent.

Distressed Debt refers to debt, which has defaulted, or is in danger of defaulting.

Distressed Property Securities refers to property or mortgage trusts that have fallen into difficulty or shares in an entity that holds such assets or is considered to be at risk of becoming insolvent.

Escrowed Shareholders means each holder of Restricted Securities

Forest Resort means the 144 room hotel and 18 hole golf course and residential land at Forest Resort.

Forest Resort Companies means Rytelle Pty Ltd and associated companies:

- Forest Resort Hotel Pty Ltd;
- The Forest Resort Pty Ltd;
- Forest Resort Utilities Pty Ltd; and
- Forest Resort Operations Pty Ltd

GST means Goods and Services Tax under the *New Tax System (Goods and Services Tax) Act 1999* (Cth).

Listing means shares officially quoted on the NSX Limited

Listing Rules means the listing rules of NSX.

Net Asset Value means the value of the Company's assets less the value of the Company's liabilities.

Net Present Asset Value means the difference between the present value of the future cash flows from an investment and the amount of the investment.

NSX means National Stock Exchange of Australia Limited ACN 330 894 691.

Octaviar Debt means the approximately \$206 million owed by Octaviar Limited (formerly MFS Limited); and \$137 million owed by Octaviar Administration Pty Ltd (formerly MFS Administration Pty Ltd) that is currently shown in ARL's accounts at Zero.

PIF means Premium Income Fund ARSN 090 687 577

Information Memorandum means this Information Memorandum dated 14 September 2016, which has been prepared in connection with Asset Resolution Limited's application for admission to the Official List of the NSX. No offer of securities is being made pursuant to this Information Memorandum and this document is not a prospectus, investment statement, product disclosure statement or offer information statement.

Restricted Securities has the meaning given to that term in the Listing Rules.

Section means a section of this Information Memorandum.

Share means a fully paid ordinary share in Asset Resolution Limited ACN 159 827 871.

Shareholder means a registered holder of Share in Asset Resolution Limited ACN 159 827 871.

STAR means Samuel Terry Absolute Return Fund.

Information Memorandum

9. Corporate Directory

BOARD OF DIRECTORS

Giles Cameron Craig, Non-Executive Chairman
John David Sergeant, Non-Executive Director
Frederick Raymond Woollard, Non-Executive Director

COMPANY SECRETARY

Victoria Marie Allinson

REGISTERED OFFICE

79 Angas Street,
ADELAIDE SA 5000
AUSTRALIA

ACCOUNTANT

Allinson Accounting Solutions Pty Ltd
79 Angas Street,
ADELAIDE SA 5000
AUSTRALIA

NOMINATED ADVISER

Prichard & Partner Pty Ltd
10 Murray Street
Hamilton NSW 2303
Australia

LEGAL ADVISER

MinterEllison
Level 10, 25 Grenfell Street
ADELAIDE SA 5000
AUSTRALIA

AUDITOR

Grant Thornton
Level 17, 383 Kent Street
SYDNEY NSW 2000
AUSTRALIA

SHARE REGISTRY

Link Market Services Ltd
Level 12, 680 George Street
SYDNEY NSW 2000
AUSTRALIA

BANKER

National Australia Bank
22-28 King William Street
ADELAIDE SA 5000
AUSTRALIA

Appendices

ASSET RESOLUTION LIMITED
ABN 99 159 827 871

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2015

**ASSET RESOLUTION LIMITED
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

TABLE OF CONTENTS

	Page
Directors' Report	3-6
Review of Operations	7-9
Auditor's Independence Declaration	10
Directors' Declaration	11
Financial Report	
Statement of Profit or Loss and Other Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Statement of Cash Flows	15
Notes to the Financial Statements	16-31
Independent Auditor's Report	32-33

**ASSET RESOLUTION LIMITED
DIRECTORS REPORT**

The directors present their report together with the financial report of Asset Resolution Limited (“ARL” or the “Company”), for the financial year ended 30 June 2015 and independent auditors’ report thereon.

Directors

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

Mr. David Beddall
Mr. Lindsay Johnston
Mr. Tony Pope

The directors have been in office since the start of the financial year 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 Industree Limited an ASX 200 listed Company which was sold in November 2012 to the General Electric Company.

Mr Lindsay Johnston

Mr. Johnston has had over 16 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

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 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.

**ASSET RESOLUTION LIMITED
DIRECTORS REPORT**

Meeting of Directors

The number of meetings of the Company's Board of Directors held during the year and the members of meetings attended by each Director were:

Directors	Meeting attended	Meetings held
Mr. David Beddall	11	11
Mr. Lindsay Johnston	10	11
Mr. Tony Pope	10	11

Directors of ARL do not hold any shares in ARL.

Principal Activities

During the year the principal activity of the Company was: holding; improving; and realising various assets securing mortgage loans. Each of the Company's mortgage loans have been in default prior to their assignment to the Company on 4 September 2013.

Results

The net profit after income tax of ARL for the year ended 30 June 2015 was \$2,372,954 (2014: \$4,610,399 loss)

Dividends

On 28 November 2014 and 22 June 2015 respectively, ARL shareholders voted in favour of a resolution for the share capital to be reduced by a total of \$18,631,163 by way of an equal capital reduction. This was effected by ARL paying to each registered holder of a fully paid ordinary share the amount of \$0.01 and \$0.009 per fully paid share. The funds were transferred to shareholders with the amounts of \$9,805,582 on 2 December 2014 and \$8,825,581 on 13 July 2015. Both of the returns of capital had the benefit of having a class ruling issued by the ATO.

Corporate Actions

As described in Review of Operations, ARL was assigned the assets referred to on pages 7 to 9 in consideration for 980,558,167 ARL shares.

Review of Operations

Information on the operations and financial position of the Company is set out in the review of operations and activities on page 7 to 9 of this annual report.

Significant Changes in State of Affairs

During the year there were no significant changes to the state of affairs of the Company except as mentioned in this financial report.

**ASSET RESOLUTION LIMITED
DIRECTORS REPORT**

Matters Subsequent to the End of the Reporting Period

On 24 July 2015, a contract for the sale of Forest Resort was executed, with settlement due on 5 November 2015. The total contract amount for Forest Resort is \$14,973,000 (excluding GST and settlement adjustments).

On 13 July 2015, ARL received a request under section 439D of the Corporations Act 2001 from Hamilton Securities Limited (“HSL”) to call and arrange a general meeting of the Company. This requisitioned extraordinary meeting will be held on 11 September 2015. The resolutions for this meeting revolve around the removal of the current board of directors and election of HSL’s representatives as the new board of directors of the Company. Should HSL’s representatives be elected to be the new board of directors this may affect the Company’s operations in future financial years as well as the Company’s state of affairs in future financial years.

Other than the above, no other matter or circumstance has arisen since 30 June 2015 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.

Likely Developments

Refer to the review of operations on page 7 of this annual report for likely developments of the Company.

Environmental Regulation

The Company is not subject to environmental regulation.

Shares Under Option

There are no shares under option.

Insurance of Officers

During the year, a premium of \$144,970 was paid to insure the Directors in relation to Directors and Officers Insurance.

Proceedings on Behalf of the Company

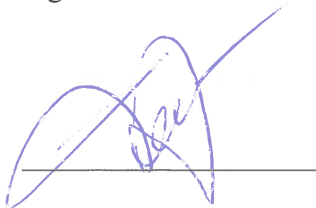
No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

ASSET RESOLUTION LIMITED
DIRECTORS REPORT

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 audit for the year is provided with this report.

Signed in accordance with a resolution of the directors:



Director



Director

Brisbane, 7 September 2015

ASSET RESOLUTION LIMITED REVIEW OF OPERATIONS FOR THE YEAR ENDED 30 JUNE 2015

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.

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 associated liabilities ARL issued 830,532,768 shares to PIF who then made an *in specie* distribution of the ARL shares to PIF unit holders.

**ASSET RESOLUTION LIMITED
REVIEW OF OPERATIONS
FOR THE YEAR ENDED 30 JUNE 2015**

Review of Operations (continued)

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 a further 150,025,399 shares 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 3-member board with significant experience in the realisation of mortgage loans and leisure assets.

Review of current period operations

During the period, ARL used specialist service provider Castlereagh Capital Limited 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. Castlereagh Capital Limited 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 \$3,076,459 and net profit after tax for the period was \$2,372,954. This profit includes:

1. Impairment gain on mortgage loans of \$1,953,913, further detailed below;
2. Gain on realisation of mortgage loans of \$877,523; and
3. Operating costs of \$2,167,067.

Net assets of ARL as at 30 June 2015, as set out in the attached financial statements, are \$14,515,647 or 1.48 cents per share. It is cautioned that the 1.48 cents per share as at 30 June 2015 is an estimate that may decrease by the post balance date contracted value for the existing properties held. Future differences between 30 June 2015 carrying values and ultimate realisable values will cause a difference in the net asset value per share.

The fair value of the Assets at 30 June 2015 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 was estimated at \$55,405,000 (in aggregate). The difference between the value at 1 July 2014 and the fair value at 30 June 2015, taking into account specific asset holding costs that are not considered recoverable and asset realisations during the period, resulted in an impairment gain during the period of \$1,953,913. The board considers it appropriate to take a conservative view on the carrying value of assets.

**ASSET RESOLUTION LIMITED
REVIEW OF OPERATIONS
FOR THE YEAR ENDED 30 JUNE 2015**

Review of Operations (continued)

During the period, ARL completed the:

1. Sale of the sole remaining Outrigger Resort Unit.
2. Vendor finance arrangement of Kooralbyn which resulted in a net gain on realisation of \$373,479 and related interest income of \$168,670.
3. Settlement of Mount Louisa in March 2015 for \$1,727,272. A requirement for the sale was that ARL provide vendor finance to the purchaser for 90 days, which was settled prior to 30 June 2015.
4. Vendor finance arrangement of Mount Louisa, Townsville which resulted in a net gain on realization of \$60,843 and related interest income of \$15,268.
5. The takeover process relating to HSL.
6. Sale of Forest Resort subject to due diligence process.

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.

**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 year ended 30 June 2015, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF HACKETTS AUDIT



Liam Murphy
Partner

Brisbane, 7 September 2015

**ASSET RESOLUTION LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2015**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 31, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the company.
2. In the directors' opinion 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 Board of Directors.



Mr
Director



Mr
Director

Brisbane, 7 September 2015

Appendix 1: 30 June 2015

ASSET RESOLUTION LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 June 2015 \$	30 June 2014 \$
Revenue from continuing operations			
Interest income		488,074	271,004
Income from proof of debt claim		1,646,591	2,586,252
Gain on realisation of loans	7	877,523	686,034
Other income		64,271	-
Total revenue from continuing operations		3,076,459	3,543,290
Expenses			
Audit expense		77,120	92,410
Consultancy fees		948,141	1,391,464
Insurance		221,921	188,444
Legal & accounting		438,440	223,122
Impairment (gain) / loss on loans	7	(1,953,913)	5,928,531
Other		481,445	329,718
Total expenses		213,154	8,153,689
Profit / (loss) before income tax		2,863,305	(4,610,399)
Income tax (expense) / benefit	4	(490,351)	-
Profit / (loss) for the period		2,372,954	(4,610,399)
Other comprehensive income, net of income tax			
Other comprehensive income, net of income tax		-	-
Total comprehensive income, net of income tax		2,372,954	(4,610,399)
Profit / (loss) attributable to members		2,372,954	(4,610,399)
Total comprehensive income attributable to members		2,372,954	(4,610,399)
Earnings per share			
Basic profit / (loss) per share (cents)	15	0.24	(0.47)
Diluted profit / (loss) per share (cents)	15	0.24	(0.47)

The accompanying notes form part of these financial statements.

Appendix 1: 30 June 2015

ASSET RESOLUTION LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	30 June 2015 \$	30 June 2014 \$
Assets			
Cash	5	271,868	14,438,194
Receivables	6	1,221,270	1,424,085
Financial assets – other	7a	-	4,932,972
Financial assets - mortgage loans	7	13,990,500	11,216,591
Total assets		15,483,638	32,011,842
Liabilities			
Payables	8	222,801	1,156,437
Accrued expenses	9	204,171	49,000
Other payables	10	50,668	32,549
Deferred tax liability	4	490,351	-
Total liabilities		967,991	1,237,986
Net assets		14,515,647	30,773,856
Equity			
Owners' capital	11	36,773,837	55,405,000
Retained losses	16	(22,258,190)	(24,631,144)
Total equity		14,515,647	30,773,856

The accompanying notes form part of these financial statements.

Appendix 1: 30 June 2015

ASSET RESOLUTION LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Note	Ordinary shares \$	Retained earnings \$	Total \$
Balance at 30 June 2013	11	55,405,000	(20,020,745)	35,384,255
Profit (loss) attributable to members		-	(4,610,399)	(4,610,399)
Other comprehensive income		-	-	-
Total comprehensive income		-	(4,610,399)	(4,610,399)
Transactions with owners in their capacity as owners:				
Dividends paid		-	-	-
Balance at 30 June 2014		55,405,000	(24,631,144)	30,773,856
Balance as at 1 July 2014	11	55,405,000	(24,631,144)	30,773,856
Profit (loss) attributable to members		-	2,372,954	2,372,954
Other comprehensive income		-	-	-
Total comprehensive income		-	2,372,954	2,372,954
Transactions with owners in their capacity as owners:				
Dividends paid		-	-	-
Share capital reductions	14	(18,631,163)	-	(18,631,163)
Sub total		(18,631,163)	-	(18,631,163)
Balance at 30 June 2015		36,773,837	(22,258,190)	14,515,647

The accompanying notes form part of these financial statements.

Appendix 1: 30 June 2015

ASSET RESOLUTION LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

		30 June 2015 \$	30 June 2014 \$
Cash flow from operating activities			
Interest received		488,074	212,215
Payments to suppliers and employees		(2,044,587)	(2,830,167)
Net cash provided by/(used in) operating activities	18	(1,556,513)	(2,617,952)
Cash flow from investing activities			
Net proceeds from mortgage loans		2,090,155	19,006,626
Net proceeds from settlement of loan and receivables		6,660,245	-
Net proceeds from from proof of debt claim		1,646,591	2,586,252
Mortgage loan advances and property outgoings		(3,395,641)	(7,316,502)
Net cash provided by/(used in) investing activities		7,001,350	14,276,376
Cash flow from financing activities			
Share capital reductions		(19,611,163)	-
Net cash provided by/(used in) financing activities		(19,611,163)	-
Net increase/(decrease) in cash and cash equivalents		(14,166,326)	11,658,424
Cash and cash equivalents at beginning of the period		14,438,194	2,779,770
Cash and cash equivalents at end of the period	5	271,868	14,438,194

The accompanying notes form part of these financial statements.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL REPORT

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied, unless otherwise stated. The financial statements are for the single entity being Asset Resolution Limited, which is an unlisted public company, incorporated and domiciled in Australia. The financial statements are presented in Australian dollars. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Asset Resolution Limited is a for-profit entity for the purpose of preparing the financial statements. The 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 more reliable and relevant.

(i) Compliance with IFRS

The financial statements of Asset Resolution Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period and are not likely to affect future periods.

(iii) Early adoption of standards

The company has not elected to early adopt any of the pronouncements to the reporting period beginning 1 July 2014. Refer to note 1 (k).

(iv) Historical cost convention

These financial statements, except for the cash flow statement, have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

(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, other than mortgage loan security assets, 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.

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 other comprehensive income, on an accruals basis.

(c) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is 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

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

(c) Income tax (continued)

realised or the liability is settled and 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: (a) it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised (b) the company continues to comply with the conditions of deductibility imposed by tax legislation and (c) no changes in tax legislation adversely affect the company in realising the benefits from the deductions for the losses.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Financial instruments

(i) Classification

The company has the following financial assets:

- mortgage loans
- other loans and receivables

Financial assets – mortgage loans are classified as loans and receivables, measured at amortised cost. They are non-derivative financial assets which arose when the company purchased mortgage loans in default or mortgagee in possession loans. Other loans and receivables are measured at amortised cost.

(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 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.

**ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

(d) Financial instruments (continued)

If evidence of impairment exists, an impairment loss is recognised in the statement of profit or loss and other 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.

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 other 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) 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).

(f) 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.

(g) 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

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

(g) Trade receivables (continued)

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.

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

(h) 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

(i) 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.

(j) 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.

**ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL REPORT (continued)

(k) New accounting standards and interpretations

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

- (i) AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).
- (ii) AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).

The company is currently evaluating the impact of the new standards; however they are not expected to have a material impact on the company.

There are no other standards that are not yet effective and that are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates

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.

Mortgage loans are measured using the effective interest method. Where the carrying value of an asset has involved impairment, the loss is recognised in the statement of profit or loss and other comprehensive income.

For impairment considerations, the net realisable value of the mortgage loan has been determined by assessing the market value of the underlying security attached to the mortgage loan. The market 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 market value. For those properties that have not been sold, formal external valuations provide the next best comparison.

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 market 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 market 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 real estate valuation inputs. Furthermore, the selling period of real estate may be prolonged under current market conditions.

The market 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 net realisable value with reference to the market value as determined by 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.

No value has been assigned to any collateral security held. Whilst this represents the best estimates of net realisable 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 amount recorded in the financial statements or the time taken to sell it may be longer than assumed.

**ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 3: FINANCIAL RISK MANAGEMENT

The company is exposed to a variety of financial risks comprising:

- (a) Market risk
- (b) Credit risk
- (c) Liquidity risk
- (d) Fair values

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of market risk, interest rate, other price risks, aging analysis for credit risk and cash flow analysis to determine the risk associated with the financial asset – mortgage loans.

Risk management is carried out at Board level. The Board ensures that risk management processes implemented are consistent with the business strategy and within the risk tolerance of the company. Regular risk reports are tabled before the Board. Within this framework, the Board identifies, evaluates and manages financial risks in close co-operation with the company's operating units. The board of directors has overall responsibility for identifying and managing operational and financial risks.

(a) Market Risk

Price Risk

Price risk relates to the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in the market value of the underlying security attached to the financial asset. Such risk is managed through continual monitoring and active engagement within the property and real estate sector.

Interest Rate Risk

Apart from cash held at the bank, the company has no significant interest bearing assets. The company's income and operating cash flows are not materially exposed to changes in market interest rates.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in real estate market values. The table indicates the impact on how profit and mortgage loan values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**(a) Market Risk (continued)**

	Profit \$	Equity \$
Year ended 30 June 2015		
+/- 10% in real estate market values *	1,399,050	1,399,050

* Financial assets – mortgage loans are measured at amortised costs and measured for impairment. Impairment calculations are performed with reference to the value of the underlying security with reference to contracts of sale and independent valuations and assessments of the properties in comparison to similar properties.

(b) Credit risk exposures

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company. The company is exposed to credit risk from two sources – trade credit risk and investment credit risk.

Trade credit risk

Trade credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions.

The company holds cash at bank with the National Australia Bank which is considered to be a financial institution with a low trade credit risk.

Investment credit risk

In addition, prima facie the company is exposed to investment credit risk which arises from the significant investment in financial assets - mortgage loans. However, as these loans are in default, the potential of further credit risk is considered low.

(c) Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The Board regularly considers the financial requirements of operations including those payments required to fund administration and operational procedures, as well as those payments required to maintain or sell property securities attached to mortgage loans held. Financial cash flows and budgets are regularly presented to the Board for consideration and significant payments are required to be approved at the Board level.

Each mortgage loan has a responsible agent, being Castlereagh Capital. The agent is responsible for managing the creditors relating to assets under agency arrangement. For assets under Controller appointment, the Controller will operate a trust account and make payments and receive income related to the mortgage loan, on behalf of the company. Any shortfall in working capital will be funded by the company, and conversely any surplus in working capital will be refunded to the company upon ceasing of the agency agreement. All invoices relating to the mortgage loan under management are presented to the company's finance team for recognition in the financial system, except those under Controller appointment. Those mortgage loans under Controller appointment will have their financial position and working capital situation presented to and discussed at the Board level.

The company has a significant level of trade creditors, the majority of which was assumed on acquisition of the mortgage loan portfolio. Management of the company places a significant reliance on the future results which are driven by an excess of asset security realisations over company operation expenditure and expenses incurred to hold mortgage loan assets.

(d) Fair values

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements.

The company does not hold any significant financial assets or financial liabilities which are measured at fair value and therefore is not exposed to any significant risks.

Financial asset mortgage loans are measured at amortised cost, using the effective interest rate method and are measured for impairment. A sensitivity analysis including variations in the market values attached to property securities has been considered in market risk as above.

Appendix 1: 30 June 2015

ASSET RESOLUTION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 4: INCOME TAX EXPENSE

The prima facie tax on profit differs from income tax provided in the financial statements as follows:		30 June 2015	30 June 2014
(a)		\$	\$
Total profit (loss) before income tax		2,863,305	(4,610,399)
At the statutory income tax rate of 30% (2014: 30%)		858,991	(1,383,120)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:			
Fines and penalties		22	1,437
Other		785	-
		859,798	(1,381,683)
Less tax effect of :			
Other deductible items		(14,700)	(15,000)
Recoupment of prior year losses not previously brought to account		(271,709)	(396,576)
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised		(573,390)	1,793,259
Income tax expense (benefit)		-	-
(b) Component of income tax expenses (benefit):			
Current tax		-	-
Deferred income tax		490,351	-
Total income tax expenses (benefit)		490,351	-
(c) Deferred tax assets/liabilities:			
The balance comprises temporary differences attributable to:			
- Impairment		(586,174)	1,778,559
- Accumulated tax losses		83,038	354,747
- Others		12,785	14,700
Total deferred tax assets/(liabilities)		(490,351)	2,148,006
Net adjustment to deferred tax assets/(liabilities) for tax losses not recognised		-	(2,148,006)
Net deferred tax assets/(liabilities)		(490,351)	-

Appendix 1: 30 June 2015

ASSET RESOLUTION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 5: CASH

	30 June 2015	30 June 2014
	\$	\$
Cash at bank	62,101	11,745,537
Funds held in trust	209,767	2,692,657
	<u>271,868</u>	<u>14,438,194</u>

NOTE 6: RECEIVABLES

Trade debtors	67,484	67,484
GST receivable	113,645	143,727
Other receivables	1,040,141	60,141
Receivable from controller	-	1,152,733
	<u>1,221,270</u>	<u>1,424,085</u>

NOTE 7: FINANCIAL ASSETS - MORTGAGE LOANS

Opening carrying value	11,216,591	36,688,375
Receipts during period	(2,664,695)	(24,845,713)
Payments during period	2,607,168	4,616,426
Impairment gain/(loss) on mortgage loans	1,953,913	(5,928,531)
Gain on realisation on mortgage loans	877,523	686,034
Balance at the end of the period	<u>13,990,500</u>	<u>11,216,591</u>

NOTE 7a: FINANCIAL ASSETS - OTHER

Loan and receivable	-	4,932,972
---------------------	---	-----------

On 2 June 2014 the company entered into a loan agreement regarding the financing for the sale of the Kooralbyn Property. This loan was fully extinguished during the period.

On 6 March 2015 the company entered into a loan agreement regarding the financing for the sale of Mt Louisa. This loan was fully extinguished during the period.

NOTE 8: PAYABLES

Trade payables	222,801	1,156,437
	<u>222,801</u>	<u>1,156,437</u>

Appendix 1: 30 June 2015

ASSET RESOLUTION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 9: ACCRUED EXPENSES

	30 June 2015	30 June 2014
	\$	\$
Accrued expenses	204,171	49,000
	<u>204,171</u>	<u>49,000</u>

NOTE 10: OTHER PAYABLES

PAYG payable	50,668	32,549
	<u>50,668</u>	<u>32,549</u>

NOTE 11: OWNERS' CAPITAL

	30 June 2015		30 June 2014	
	No.	\$	No.	\$
Movement in ordinary shares				
Balance at the beginning of the period	980,558,167	55,405,000	980,558,167	55,405,000
Share capital reductions*	-	(18,631,163)	-	-
Balance at the end of the period	<u>980,558,167</u>	<u>36,773,837</u>	<u>980,558,167</u>	<u>55,405,000</u>

* On 28 November 2014 and 22 June 2015 respectively, ARL shareholders voted in favour of a resolution for the share capital to be reduced by \$18,631,163 by way of an equal capital reduction. This was effected by ARL paying to each registered holder of a fully paid ordinary share the amount of \$0.01 and \$0.009 per fully paid share. The funds were transferred to shareholders with the amounts of \$9,805,582 on 2 December 2014 and \$8,825,581 on 13 July 2015. Both of the returns of capital had the benefit of having a class ruling issued by the ATO.

Capital Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio and ensure that the Company can fund its operations while it continues to maximise realisations of its mortgage loan portfolio.

The Company's debt and capital includes ordinary share capital and operating 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 in the market. These responses include the management of debt levels, distribution to shareholders and share issues.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 12: KEY MANAGEMENT PERSONNEL DISCLOSURES

The names of persons who were directors of the Company at any time during the financial year were as follows:

Mr David Beddall (Chairman)
 Mr Lindsay Johnston (Director)
 Mr Tony Pope (Director)

There were no other key management personnel of the company during the period.

For the period ended 30 June 2015, the remuneration paid to the Directors of the Company amounted to \$376,485.

Remuneration of key management personnel

Name	Short-term Cash Salary & Fees \$	
	2015	2014
Mr David Beddall (Director)*	132,000	131,000
Mr Lindsay Johnston (Director)	119,720	120,675
Mr Tony Pope (Director)*	124,765	112,148
Total	376,485	363,823

* amounts inclusive of GST

Director Shareholding

Directors of ARL do not hold any shares in ARL.

NOTE 13: REMUNERATION OF AUDITORS

The auditor of the company is PKF Hacketts Audit.

The remuneration paid to or incurred by PKF Hacketts Audit during the period was \$77,120 (2014: \$92,410)

The remuneration paid to the related practice of the auditor for taxation services during the period was \$5,840 (2014: \$4,695)

NOTE 14: SHARE CAPITAL REDUCTION

On 28 November 2014 and 22 June 2015 respectively, ARL shareholders voted in favour of a resolution for the share capital to be reduced by \$18,631,163 by way of an equal capital reduction. This was effected by ARL paying to each registered holder of a fully paid ordinary share the amount of \$0.01 and \$0.009 per fully paid share. The funds were transferred to shareholders with the amounts of \$9,805,582 on 2 December 2014 and \$8,825,581 on 13 July 2015. Both of the returns of capital had the benefit of having a class ruling issued by the ATO.

Appendix 1: 30 June 2015

ASSET RESOLUTION LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 15: EARNINGS PER SHARE

	30 June 2015	30 June 2014
	\$	\$
(a) Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	2,372,954	(4,610,399)
(b) Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	2,372,954	(4,610,399)
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	980,558,167	980,558,167

NOTE 16: RETAINED EARNINGS

	30 June 2015	30 June 2014
	\$	\$
Opening balance	(24,631,144)	(20,020,745)
Net profit/(loss) for the year	2,372,954	(4,610,399)
Deficit at the end of the year	(22,258,190)	(24,631,144)

NOTE 17: RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

NOTE 18: RECONCILIATION OF PROFIT AFTER TAX TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	30 June 2015	30 June 2014
	\$	\$
Net profit/(loss) after tax	2,372,954	(4,610,399)
<i>Non-cash items in profit:</i>		
- mortgage loan impairment (gain)/loss	(1,953,913)	5,928,531
- realisation of mortgage asset (gain)/loss	(877,523)	(686,034)
<i>Non-operating items in profit:</i>		
- income from litigation	(1,646,591)	(2,586,252)
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	-	(58,790)
Increase/(decrease) in payables and accruals	58,209	(605,008)
Increase/(decrease) in deferred tax liabilities	490,351	-
Net cash inflow/(outflow) from operating activities	(1,556,513)	(2,617,952)

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19: SUBSEQUENT EVENTS

On 24 July 2015, a contract for the sale of Forest Resort was executed, with settlement due on 5 November 2015.

On 13 July 2015, ARL received a request under section 439D of the Corporations Act 2001 from Hamilton Securities Limited (“HSL”) to call and arrange a general meeting of the Company. This requisitioned extraordinary meeting will be held on 11 September 2015. The resolutions for this meeting revolve around the removal of the current board of directors and election of HSL’s representatives as the new board of directors of the Company. Should HSL’s representatives be elected to be the new board of directors this may affect the Company’s operations in future financial years as well as the Company’s state of affairs in future financial years.

Other than the above, no other matter or circumstance has arisen since 30 June 2015 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 20: COMMITMENTS AND CONTINGENT LIABILITIES

The company did not have any material commitments or contingent liabilities at 30 June 2015.

NOTE 21: COMPANY DETAILS

Registered office:	Castlereagh Capital Australia Square Level 30, 264-278 George St Sydney, NSW 2000
--------------------	--

Principal place of business:	Castlereagh Capital Australia Square Level 30, 264-278 George St Sydney, NSW 2000
------------------------------	--

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

Report on the Financial Report

We have audited the accompanying financial report of Asset Resolution Limited ("the Company") which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state that, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

Independence

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ASSET RESOLUTION LIMITED
(continued)**

Opinion

In our opinion:

- a) the financial report of Asset Resolution Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PKF HACKETTS AUDIT



Liam Murphy

Partner

Brisbane, 7 September 2015



ASSET RESOLUTION LIMITED
ABN 99 159 827 871

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016



**ASSET RESOLUTION LIMITED
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

CORPORATE DIRECTORY

Directors

Giles Craig (Chairman)
John Sergeant (Non-Executive Director)
Frederick Woollard (Non-Executive Director)

Company Secretary

Victoria Marie Allinson

Registered Office and Principal Place of Business

79 Angas Street
Adelaide
South Australia 5000
Telephone: (08) 8423 0170
Facsimile: (08) 8223 1685

Solicitors

Minter Ellison Lawyers
Level 10, 25 Grenfell Street
Adelaide
South Australia 5000

Bankers

National Australia Bank Limited
22-28 King William Street
Adelaide
South Australia 5000

Auditor

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

Share Register

Link Market Services Ltd
Level 12, 680 George Street
Sydney NSW 2000
Telephone: +61 1300 554 474

Website

www.arlimited.com.au



**ASSET RESOLUTION LIMITED
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

TABLE OF CONTENTS

DIRECTORS' REPORT	4
Directors	4
Chief Financial Officer and Company Secretary	7
Dividends	7
Principal activities	7
Capital reduction	7
Corporate information	7
Operating and financial review	8
Significant changes in state of affairs	9
Significant events after balance date	9
Likely developments	9
Diversity Report	9
Environmental regulation and performance	12
Indemnification and insurance of officers	12
Proceedings on behalf of the Company	12
Directors' meetings	12
Auditor independence and non-audit services	13
Remuneration report (audited)	13
Shares options	18
Auditor's declaration	18
AUDITOR'S INDEPENDENCE DECLARATION	19
CORPORATE GOVERNANCE STATEMENT	20
FINANCIAL REPORT CONTENTS	21
DIRECTORS' DECLARATION	47
INDEPENDENT AUDITORS REPORT	48

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

The directors present their report together with the financial report of Asset Resolution Limited ("ARL" or the "Company"), for the financial year ended 30 June 2016 and independent auditors' report thereon.

Directors

The names of the Company's directors in office during the year and until the date of this report are as below.

Director	Position	Appointed	Last elected or re-elected at AGM	Resigned
Giles Craig	Non-Executive Chair	11 September 2015	-	-
John Sergeant	Independent Non-Executive	11 September 2015	24 November 2015	-
Frederick Woollard	Non-Executive Director	11 September 2015	-	-
David Beddall	Non-Executive Chair	8 August 2012	-	11 September 2015
Lindsay Johnston	Managing Director	8 August 2012	-	11 September 2015
Tony Pope	Independent Non-Executive	18 October 2012	-	11 September 2015

Giles Craig and Frederick Woollard are not deemed independent due to their substantial interest in the Company.

Information on Directors

Giles Craig BSc Econ (Hons), FCA Non-Executive Director, Chairman



Board member since September 2015.

Mr Craig is an Executive Director of Hamilton Securities Limited, an NSX listed Investment Company and is a member of the compliance committee of RateSetter Australia RE, a peer to peer lender.

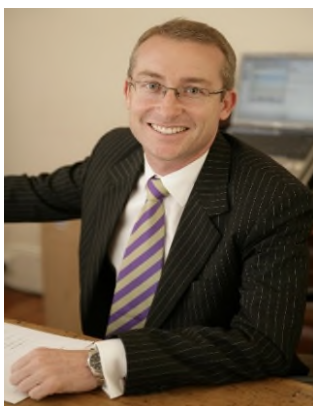
He was previously Managing Director of Cameron Stockbrokers Limited, a Sydney based private client stockbroker. Prior to that, he was Head of Private Clients at AMP Capital, Head of Distribution at Henderson Private Capital and worked in Corporate Finance at Merrill Lynch and Mergers and Acquisitions at Morgan Stanley.

He qualified with Ernst & Whinney as a Chartered Accountant in 1986.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016**

Directors (continued)

**John Sergeant BSc, BA(Hons I), FAMSRS, GAICD
Independent Non-Executive Director**



Board member since September 2015.

Mr Sergeant is a private investor and business consultant. He holds degrees in Biological Sciences and Psychology from the University of Sydney, where he was a lecturer in the Business School, teaching at the postgraduate level.

Prior to joining the Company, Mr Sergeant managed a number of successful consultancy businesses and has served on the boards of Australian and multinational professional services firms.

In recent years, he has ceased being a passive investor and has involved himself actively in the management of distressed assets. He is a board member of ASX-listed Kangaroo Island Plantation Timbers Ltd (KPT) and has helped in the successful recapitalization, recovery and return to stability and growth of that business, achieving very strong capital growth for its shareholders.

Should one or more of ARL's portfolio of distressed assets require active involvement in order to secure a positive outcome for shareholders, Mr Sergeant has the professional and personal experience needed to represent ARL's interests

**Frederick Woollard BEc, GAICD
Non-Executive Director**



Board member since September 2015.

Mr Woollard is Managing Director of Samuel Terry Asset Management, which manages the Samuel Terry Absolute Return Fund, ARL's largest shareholder. He has worked in the stockbroking and funds management industry for over 30 years. From 1989 to 1998 he worked in London and Monaco as an investment analyst and fund manager for a family office.

In 2000, Mr Woollard joined Hunter Hall International Limited, a then-successful Australian investment manager, as an executive director based in London. He oversaw Hunter Hall's investments in the UK, Europe and America. In 2003, he returned to Australia to establish the Samuel Terry Fund.

He is currently a member of the boards of a number of private companies and the St Andrew's College Foundation. He is a Director of one other public company, Hamilton Securities Ltd, ARL's second-largest shareholder.

Directors' Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors, either directly or indirectly, in the shares of Asset Resolution Limited were:

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

Directors (continued)

Interest in ordinary post-consolidated shares

Directors	Opening interest at 1 July 2015	Net changes during the period	Granted as remuneration	Closing interest at 30 June 2016 & date of this report
Giles Craig	-	329,129	-	329,129
John Sergeant	-	22,150	-	22,150
Frederick Woollard	-	1,214,271	-	1,214,271
David Beddall	-	-	-	-
Lindsay Johnston	-	-	-	-
Tony Pope	-	-	-	-
Total Directors⁽ⁱ⁾	-	1,256,421	-	1,256,421

- (i) Includes shares held by directors but does not duplicate Hamilton Securities Limited holding, as these are the same shares, see 1 and 3 below.

At the 30 June 2016 and at the date of this report:

- (1) Giles Craig was appointed as a Director on 11 September 2015, he holds 329,129 post consolidated shares:
- 309,129 are held in Hamilton Securities Limited in which he is a director and shareholder; and
 - 20,000 shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. These shares were acquired since the period ended at \$2 per share.
- (2) John Sergeant was appointed as a Director on 11 September 2015, he holds 22,150 post consolidated shares. 20,000 shares are held in Phalaenopsis Pty Ltd AF Sergeant Family Trust, of which he has effective control; and 2,150 are held directly. These shares were acquired in the period at \$2 per share.
- Mr Sergeant discloses that he is a unitholder in STAR, which is a substantial holder in the Company. Mr Sergeant does not have the power to direct or influence STAR in the exercise of its voting rights or in regard to the acquisition or disposal of shares. Nor does Samuel Terry Asset Management, the manager of STAR, have any power, beyond that available by virtue of being a shareholder, to direct or influence Mr Sergeant in the performance of his duties as Director.
- (3) Frederick Woollard was appointed as a Director on 11 September 2015, he holds 1,214,271 post consolidated shares:
- 309,129 are held in Hamilton Securities Limited in which he is a director and shareholder;
 - 904,957 held by Samuel Terry Asset Management Pty Ltd as trustee for the Samuel Terry Absolute Return Fund ("STAR") of which he is a shareholder and beneficiary; and
 - 185 shares are held in Woollard Super Fund of which he is a beneficiary.

Interest in Options

There are no options on issue.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016**

Chief Financial Officer and Company Secretary

**Victoria Marie Allinson FCCA, AGIA
Company Secretary**



Appointed 1 October 2015, following Christina Luella Sutherland's resignation on 11 September 2015.

Ms Allinson is a Fellow of the Association of Certified Chartered Accountants and a member of the Governance Institute of Australia. She has over 25 years' accounting and auditing experience, including senior accounting positions in a number of listed companies and audit manager for Deloitte Touche Tohmatsu.

She is currently Company Secretary and Chief Financial Officer for Kangaroo Island Plantation Timbers Ltd and a number of other entities.

Dividends

The directors have resolved not to declare a dividend for the year ended 30 June 2016. No dividends were paid during the previous year.

Principal activities

During the year the principal activity of the Company was: holding; improving; and realising various Distressed Assets.

Capital reduction

In the current year there has been no capital reductions.

Prior year

On 28 November 2014 and 22 June 2015 respectively, ARL shareholders voted in favour of a resolution for the share capital to be reduced by a total of \$18,631,163 by way of an equal capital reduction. This was effected by ARL paying to each registered holder of a fully paid ordinary share the amount of \$0.01 and \$0.009 per fully paid share. The funds were transferred to shareholders with the amounts of \$9,805,582 on 2 December 2014 and \$8,825,581 on 13 July 2015. Both of the returns of capital had the benefit of having a class ruling issued by the ATO.

Corporate information

The current Board's appointment as ARL Directors and plans for ARL

- On 7 August 2015, ARL issued a notice of general meeting requested by Hamilton Securities Limited, proposing to put forward resolutions to remove the then directors of ARL and to elect in their place nominees of Hamilton Securities Limited's.
- On 11 September 2015, Shareholders voted to remove the existing directors of ARL, and elected the Hamilton Securities Limited nominees to the Board of ARL. The new Board members were elected based on Hamilton Securities Limited's objectives.
- Hamilton Securities Limited's objective, as outlined in the Notice of Meeting was:
 - a. to make use of the cash received from the sale of assets to acquire further assets, as opposed to returning the capital to Shareholders and winding up ARL;
 - b. to List on the ASX, to provide a liquid market for Shareholders who wish to sell their Shares; and
 - c. to change the Constitution of ARL to comply with the ASX Listing Rules and to generally update the governance of the Company to reflect significant developments in the law, corporate governance principles and general corporate and commercial practice for an ASX listed company;(together the "Objectives").

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016**

Corporate information (continued)

- On 23 October 2015, ARL issued a notice of annual general meeting, whereby the newly formed Board of ARL commenced implementing its Objectives, including:
 - a. the re-election on rotation of Mr John Sergeant;
 - b. changing the auditor;
 - c. share consolidation;
 - d. adoption of a new Constitution; and
 - e. approval of an on-market buy-back of Shares,
 with the goal of working towards Listing on the ASX or an alternative exchange.
- On 25 November 2015, ARL held its annual general meeting, where each of the resolutions passed to implement the new Objectives of ARL. The Board and its advisors engaged with the strong showing of Shareholders at the AGM affording them with opportunities to ask questions on ARL's Objectives.

Operating and financial review

Review of current period operations

During the year the Company's losses amounted to \$2,052,587 (2015: \$2,372,954 profit). The losses are primarily due to higher impairment costs \$1,543,328 primarily in respect of the Forest Resort asset sale, of which the prior year included a gain on sale of \$1,953,913.

The head office costs of ARL have been significantly reduced since the appointment of the new board in September 2015. Head Office expenses amounted to \$1,121,738 compared to \$2,167,067 in the prior year. The \$1,045,329 decrease is primarily due to:

- Directors fees have decreased by \$126,521 to \$223,720, including \$78,857 of fees relating to the previous board (June 2015: \$350,241);
- Accounting and administrative fees have decreased by \$469,443 to \$214,622, including \$138,359 of fees relating to Castlereagh Capital Ltd (June 2015: \$662,754);
- Legal fees have decreased by \$266,219 to \$172,221, including \$105,963 of fees relating to historical asset transactions (June 2015: \$438,440);
- Share Registry fees have decreased by \$136,900 to \$196,399 (June 2015: \$333,299);
- Insurance costs are \$242,420, all of which related to run off insurance acquired by the previous board, the forecast for future periods is nil (June 2015: \$221,921); and
- Audit fees have decreased by \$35,652 to \$41,468, including \$13,866 of fees relating to prior period audits (June 2015: \$77,120).

There are number of prior period events that have affected the current period results:

- ARL realised \$12,733,214 from the Forest Resort mortgage loan on the settlement date, 5 November 2015. The fair value of mortgage at 30 June 2015 amounted to \$13,990,500, based on costs to settlement being estimated at \$982,500. The costs to settlement were underestimated, resulting in mortgage loan impairment of \$1,257,286 in the year, in addition further costs were incurred by ARL resulting in a total impairment of \$1,448,864; and
- A number of aged receivables have been deemed irrecoverable, resulting in an impairment of \$94,464.

ARL currently manages the following portfolio:

- a) Distressed Debt due from Octaviar Limited (formerly MFS Limited) and Octaviar Administration Pty Ltd (formerly MFS Administration Pty Ltd):

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016**

Operating and financial (continued)

Octaviar Limited and Octaviar Administration Pty both have substantial amounts of cash and other assets that are potentially available to creditors, there are legal disputes about the status of some creditors of each company. The Board understand that both companies have spent substantial amounts on liquidators' and legal fees, and it is possible that further substantial amounts could be spent before the companies are wound up and any remaining funds distributed.

For these reasons, it is impossible to forecast with confidence how much, if anything, ARL might be in a position to recover from these assets, nor is it possible to forecast when ARL might receive any money from them, if at all. Accordingly, the Directors have resolved to continue showing the Octaviar Debts at a zero value in ARL's accounts, even though it is possible that ARL may recover some money from these Distressed Debts in the future.

b) Other corporate assets:

1,794,840 shares in Raptis Group Ltd, a property and investment company; received in settlement of an earlier claim. The most recent accounts of Raptis Group Ltd show that it has Net Asset Value of about \$0.01 per share (as at 31 December 2015), and this holding is currently shown in ARL's accounts at zero.

Significant changes in state of affairs

During the year there were no significant changes to the state of affairs of the Company except as mentioned in this financial report.

Significant events after balance date

There are no matters or circumstances has arisen since 30 June 2016 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.

Likely developments

The strategic objective of the Company is to identify and acquire Distressed Assets that provide an attractive risk return profile. The Distressed Assets are generally less liquid than other opportunities, which fits the Company's business and risk strategy. These less liquid opportunities are unlikely ever to be fashionable or high profile but the Directors believe they have expertise in acquiring such assets at attractive prices and in extracting significant value from them.

Diversity Report

Introduction

The following is the Diversity Report for the financial year ended 30 June 2016 for ARL ("the Company") prepared for the purposes of the Company's Financial Statements for the year ended 30 June 2016.

The ASX introduced a requirement for all listed companies to adopt a Diversity Policy and a Diversity Strategy by no later than 30 June 2011, to disclose those documents to the shareholders, and to report to the shareholders each year on the current diversity position in the Company including culture, gender and age, and the progress towards achievement of the strategy objectives. ARL have followed a best practice approach and have adopted this Diversity Report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016
Diversity Report (continued)
Diversity Policy

The Diversity Policy is based upon the recommendations of the ASX and the Australian Institute of Company Directors ("AICD") and as such will include requirements that may not be appropriate for a small company such as ARL. As with all matters included in the ASX Corporate Governance Principles and Recommendations, any recommendation that is not considered appropriate for the Company will be disclosed on an "if not why not" basis. The Policy is outlined in the Statement of Corporate Governance which is available on the Company's web site.

Responsibility

The Remuneration Committee (if formed, otherwise the Board) is charged with the responsibility for implementation of the Diversity Policy and the oversight of the Diversity Strategy progress and delegates that responsibility to the CEO. The Company Secretary is charged with the responsibility for reporting to the Committee each year in accordance with the requirements of the Policy.

Current Position

As at 30 June 2016 there is an aggregate of 5 staff including Directors, employees and contractors (full and part time) in the Company. Of the aggregate 2 are female (including the Chief Financial Officer), 1 is of different ethnic or cultural background, and nil are mature age. Consequently it could be said that the Company is already harnessing the benefits of a diverse workforce. A number of diversity objectives were not implemented by the Company at this stage given its size and low staff numbers, there are set out in the table below.

Diversity Strategy

The Diversity Strategy is also based upon the recommendations of the ASX and the AICD and sets various strategies, initiatives and programs designed to as far as possible achieve the aims and objectives of the Diversity Policy.

The current position with each of the strategy items and the time frame for achievement or otherwise is listed in the following Table 1:

Table 1

Strategy, initiative or program	By when	Current position
Phase 1 – Strategies		
1.1(a) The development and adoption of the Policy	May 2016	Completed
1.1(b) Embody within the Statement of Corporate Governance	May 2016	Completed
1.1(c) Assignment of responsibility	May 2016	Completed
Phase 2 - Initiatives and Programs		
At Board / board Committee Level		
1.2(a)(i)(A) Diversity is embedded as a relevant attribute	May 2016	Completed
1.2(a)(i)(B) Any skill / gap analysis matrix includes due regard for the attributes of diversity	As required	Will be prepared when required
1.2(a)(i)(C) Clear statement exists as to the mix of skills and diversity that the Board is looking to achieve	May 2016	Stated below and Included in the Charter for the Board of Directors

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016
Diversity Report (continued)

Strategy, initiative or program	By when	Current position
1.2(a)(ii) When addressing Board succession planning	May 2016	Included in the Charter for the Board of Directors
1.2(a)(iii) Inclusion of Diversity related KPIs for CEO and senior executives	May 2016	N/A given the size of Company and number of staff
1.2(b)(i) Review the Company's HR policies	May 2016	N/A given the size of Company and number of staff
1.2(b)(ii) Review the Company's physical environment & cultural practices to ensure compliance with the Policy	May 2016	N/A given the size of Company and number of staff
1.2(b)(iii) Ensure that the Company's recruitment practices follow the Policy requirements	As required	Will be prepared when required
1.2(c)(i) Commit to career development	May 2016	N/A given the size of Company and number of staff
1.2(c)(ii) Develop standing program and provide budget for career development	Annual	As required

Notes:

- The size and nature of the Company limits the number of initiatives and programs that are viable, this will be reviewed as the Company changes.
- It should be noted that the ASX recognises that there is an historical "skewed" pipeline of qualified and experienced personnel in the market and accordingly the gender diversity targets must be regarded as "soft" and subject to the overriding caveat stated at Item 8 in the Diversity Policy. The gender diversity targets are detailed at Item 2(c) of the Diversity Strategy.

"Since good governance principles require independence, transparency, diversity and flexibility, the Board acknowledges the importance of Board structure and, as a consequence, the Board seeks to use the following provisions as guidance when implementing an effective governance structure in the Company."

Board Skills

The Board shall contain a relevant blend of expertise and diversity attributes (refer to corporate governance statement for further information) as appropriate for a Company of its size in:

- Distressed asset acquisition and management
- Accounting;
- Finance;
- Business;
- Financial instruments;
- Legal matters (especially when not present in the Company Secretary); and
- Marketing.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

Diversity Report (continued)

Diversity at Board Level and Generally

The Board respects the values and the competitive advantage of culture, gender, ethnicity and age "diversity", and the benefits of its integration throughout the Company. The Board has adopted a specific Diversity Policy in order to enrich the Company's perspective, improve corporate performance, increase shareholder value, and enhance the probability of achievement of the Company's objectives.

When addressing Board succession planning (and other appointments throughout the Company) the Board has ensured that the Diversity Policy is respected, efforts are made to identify prospective appointees who have Diversity attributes and efforts are made for any short list of prospective appointees to include at least one male and one female candidate."

Compliance

Having regard to the size of the Company and the nature of its business, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in respect to diversity.

Environmental regulation and performance

The Company is not subject to environmental regulation.

Indemnification and insurance of officers

During the year, the Company paid a premium of \$242,420, all of which related to run off insurance acquired by the previous Board. In the prior year \$144,970 was paid to insure the Directors in relation to Directors and Officers Insurance.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

Directors' meetings

The number of meetings of the Company's Board of Directors held during the year and the members of meetings attended by each Director were:

Directors	Board Meetings		Audit & Risk Committee Meetings	
	Number attended	Number held while in office	Number attended	Number held while in office
Giles Craig	10	10	3	3
John Sergeant	10	10	3	3
Frederick Woollard	10	10	3	3
David Beddall	2	2	-	-
Lindsay Johnston	2	2	-	-
Tony Pope	2	2	-	-

Committee membership

The Company established an Audit and Risk Committee of the Board of Directors on 9 March 2016. Mr Sergeant was appointed Chair and all directors served on the Audit and Risk Committee.

In view of the size of the Company, the directors have considered that establishing a nomination and remuneration committee would contribute little to its effective management and accordingly all directors participate in decisions regarding the nomination and election of new Board members.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016
Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 18 of this report. The declaration forms part of the Directors' report.

No director of the Company is currently or was formerly a partner of Grant Thornton Audit Pty Ltd.

Non-Audit Services

Grant Thornton Audit Pty Ltd were appointed as auditors on 24 September 2015 and the appointment confirmed by shareholders at a General Meeting held on 24 November 2015.

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and

The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The amounts received or due and receivable by Grant Thornton Auditors Pty Ltd for:

	2016 \$	2015 \$
An audit or review of the financial report of the entity and any other entity in the entity		
Audit services Grant Thornton	25,300	-
Taxation services Grant Thornton	-	-
Total services Grant Thornton	25,300	-
PKF Hacketts Audit	14,866	77,120
Taxation services PKF Hacketts Audit	1,302	5,840
Total	41,468	82,960

Remuneration report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel ("KMP") of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purpose of this report, the term "executive" encompasses the Managing Director (if appointed) and Chief Financial Officer of the Company.

Key management personnel

The names of the persons who were key management personnel of the Company at any time during the current or prior financial year were as follows:

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016**

Remuneration report (audited) (continued)

Giles Craig (Chair) appointed 11 September 2015
John Sergeant (Director) appointed 11 September 2015
Frederick Woollard (Director) appointed 11 September 2015
Victoria Allinson (Company Secretary and CFO) appointed 1 October 2015

David Beddall (Chairman) resigned 11 September 2015
Lindsay Johnston (Director) resigned 11 September 2015
Tony Pope (Director) resigned 11 September 2015
Christina Sutherland (Company Secretary) resigned 11 September 2015

There were no other key management personnel of the Company during the period.

Remuneration committee

In view of the size of the Company, the directors have considered that establishing a nomination and remuneration committee would contribute little to its effective management and accordingly all directors participate in decisions regarding the nomination and election of new Board members.

The Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration philosophy and structure

The Company has structured remuneration packages for its executives and directors in order to attract and retain people with the necessary qualifications, skills and experience to assist the Company in achieving its desired results.

Remuneration is usually reviewed on an annual basis, taking into consideration both qualitative and quantitative performance indicators, with reference to industry benchmarks. A review has not been conducted in the period of this annual report as Board are of the opinion that remuneration should only be changed once the Company's strategic plans are further developed.

Overall performance of the directors and the executives of the Company are considered against:

- Timely production of Company accounts and records;
- Management of the portfolio of loans against acceptable write off and performance standards
- Maintenance/improvement of the Net Tangible Assets of the Company;
- Control of costs;
- Investor relations;
- Assessment of new opportunities; and
- Employee performance.

Overall performance of the directors and the executives of the Company are considered against:

- Timely production of Company accounts and records;
- Management of the portfolio of loans against acceptable write off and performance standards
- Maintenance/improvement of the Net Tangible Assets of the Company;
- Control of costs;
- Investor relations;
- Assessment of new opportunities; and
- Employee performance.

Performance is reviewed on an annual basis, the first review will be undertaken when as undertaken the Company's strategic plans are further developed.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016
Remuneration report (audited) (continued)

Remuneration is reviewed by the Board (unless a Remuneration Committee is established) and is set at around the mid point for professional personnel as measured by knowledge of the members of the Remuneration Committee and augmented by reference to reports produced by professional Human Resources consultants.

The following table shows the net tangible asset per share, earning per share and share price of the Company since incorporation.

	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$	Year ended 30 June 2014 \$	8 August 2012 to 30 June 2013 \$
Results				
Revenue from ordinary activities from continuing operations	-	2,588,385	3,272,286	-
Interest income	122,128	488,074	271,004	38,864
Expenses	(1,121,738)	(2,167,067)	(2,225,158)	(2,593,566)
Impairment gain/(loss) on mortgage loans	(1,543,328)	1,953,913	(5,928,531)	(17,466,043)
Profit/(loss) attributable to members for the period	(2,542,938)	2,863,305	(4,610,399)	(20,020,745)
Income tax benefit/(expenses)	490,351	(490,351)	-	-
Total income/(loss) after tax	(2,052,587)	2,372,954	(4,610,399)	(20,020,745)
Basic and diluted earnings per:				
Post-consolidated share	(41.84) cents	48.37 cents	(93.99) cents	(432.00) cents
Pre-consolidated share	(0.21) cents	0.24 cents	(0.47) cents	(2.16) cents
Net Assets				
Cash and receivables	12,535,651	1,493,138	15,862,279	3,063,553
Financial assets	-	13,990,500	16,149,563	36,688,375
Total liabilities - current	(72,591)	(967,991)	(1,237,986)	(4,367,673)
Net Assets	12,463,060	14,515,647	30,773,856	35,384,255
Number of Shares on issue	4,905,441	980,558,167	980,558,167	980,558,167
Net tangible assets per:				
Post-consolidated share	254.0 cents	295.9 cents	627.3 cents	721.3 cents
Pre-consolidated share	1.3 cents	1.4 cents	3.1 cents	3.6 cents

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of the Company are shown in the table below:

Remuneration of Key Management Personnel

For the period ended 30 June 2016, the remuneration paid to the Directors of the Company amounted to \$223,720 (2015: \$350,241).

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016
Remuneration report (audited) (continued)

Short term					Post employment	Long term	Share-based payment		
	Year	Salary & fees \$	Cash bonus \$	Other non-monetary benefits \$	Super \$	Long service leave \$	Executive share plan \$	Shares \$	Total \$
Non-Executive Directors									
Giles Craig	2016	44,099	-	-	4,189	-	-	-	48,288
	2015	-	-	-	-	-	-	-	-
John Sergeant	2016	44,099	-	-	4,189	-	-	-	48,288
	2015	-	-	-	-	-	-	-	-
Frederick Woollard	2016	48,288	-	-	-	-	-	-	48,288
	2015	-	-	-	-	-	-	-	-
David Beddall	2016	20,000	-	-	-	-	-	-	20,000
	2015	120,000	-	-	-	-	-	-	120,000
Tony Pope	2016	27,740	-	-	-	-	-	-	27,740
	2015	110,521	-	-	-	-	-	-	110,521
Lindsay Johnston	2016	28,416	-	-	2,700	-	-	-	31,116
	2015	109,261	-	-	10,459	-	-	-	119,720
Total	2016	212,642	-	-	11,078	-	-	-	223,720
	2015	339,782	-	-	10,459	-	-	-	350,241
Other KMP									
Victoria Allinson ⁽ⁱ⁾	2016	85,263	-	-	-	-	-	-	85,263
	2015	-	-	-	-	-	-	-	-
Christina Sutherland ⁽ⁱ⁾	2016	9,000	-	-	-	-	-	-	9,000
	2015	37,000	-	-	-	-	-	-	37,000
Total	2016	306,905	-	-	11,078	-	-	-	317,983
	2015	376,782	-	-	10,459	-	-	-	387,241

⁽ⁱ⁾ Appointed on 1 October 2015. Ms Allinson provides professional accounting, administration and company secretarial services at a fixed fee of \$38,400 per annum pre-Listing \$45,600 per annum post-Listing (2015: \$nil) invoiced by Allinson Accounting Solutions Pty Ltd, trading as My Virtual HQ, of which Victoria Allinson is Director and shareholder. Additional listing, set up and other one-off fees amounted to \$56,463 (2015: nil). The services are provided by Ms Allinson and her employee.

⁽ⁱⁱ⁾ Appointed on 26 September 2013 and resigned on 11 September 2015.

Related party transactions

Key Management Personnel remuneration is detailed above. Key Management Personnel are reimbursed for any expenses incurred on behalf of the Company.

There are no other related party transactions.

Option holdings of Key Management Personnel

There are no option holdings for the Company.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

Remuneration report (audited) (continued)

Shareholdings of key management personnel (KMP)

	Opening interest at 1 July 2015	Net changes during the period	Granted as remuneration	Closing interest at 30 June 2016 & date of this report
Directors				
Giles Craig	-	329,129	-	329,129
John Sergeant	-	22,150	-	22,150
Frederick Woollard	-	1,214,271	-	1,214,271
David Beddall	-	-	-	-
Lindsay Johnston	-	-	-	-
Tony Pope	-	-	-	-
Total Directors⁽ⁱ⁾	-	1,256,421	-	1,256,421
Executives				
Victoria Allinson ⁽³⁾		324		324
Total KMP		1,256,745		1,256,745

- (i) Includes shares held by directors but does not duplicate Hamilton Securities Limited holding, as these are the same shares, see 1 and 3 below.

At the 30 June 2016 and at the date of this report:

- (1) Giles Craig was appointed as a Director on 11 September 2015, he holds 329,129 post consolidated shares:
 - o 309,129 are held in Hamilton Securities Limited in which he is a director and shareholder; and
 - o 20,000 shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. These shares were acquired during the year at \$2 per share.
- (2) John Sergeant was appointed as a Director on 11 September 2015, he holds 22,150 post consolidated shares. 20,000 shares are held in Phalaenopsis Pty Ltd AF Sergeant Family Trust, of which he has effective control; and 2,150 are held directly. These shares were all acquired during the year at \$2 per share.

Mr Sergeant discloses that he is a unitholder in STAR, which is a substantial holder in the Company. Mr Sergeant does not have the power to direct or influence STAR in the exercise of its voting rights or in regard to the acquisition or disposal of shares. Nor does Samuel Terry Asset Management, the manager of STAR, have any power, beyond that available by virtue of being a shareholder, to direct or influence Mr Sergeant in the performance of his duties as Director.

- (3) Frederick Woollard was appointed as a Director on 11 September 2015, he holds 1,214,271 consolidated shares:
 - o 309,129 are held in Hamilton Securities Limited in which he is a director and shareholder;
 - o 904,957 held by Samuel Terry Asset Management Pty Ltd as trustee for the Samuel Terry Absolute Return Fund ("STAR") of which he is a shareholder and beneficiary; and
 - o 185 shares are held in Woollard Super Fund of which he is a beneficiary.
- (4) Victoria Allinson acquired 324 shares during the year, the shares are held Eagle HQ Pty Ltd ATF Allinson Family Trust in which she is a director and shareholder.

End of Remuneration Report

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016**

Shares options

There are no shares under option.

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 audit for the year is provided with this report.

Signed in accordance with a resolution of the directors:



Giles Craig (Chairman)

Sydney, 24 August 2016



Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To the Directors of Asset Resolution Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Asset Resolution Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read "G S Layland".

G S Layland
Director - Audit & Assurance

Sydney, 24 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016**

Asset Resolution Limited (“Company”) and the Board of Directors are responsible the Corporate Governance of the Company and is committed to achieving the highest standard of Corporate Governance, business integrity and professionalism with due regard to the interests of all stakeholders. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As such, the Company have adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Company’s Corporate Governance Statement for the financial year ending 30 June 2016 is dated and was approved by the Board on 18 May 2016. The Corporate Governance Statement is available at www.arlimited.com.au.

ASSET RESOLUTION LIMITED
FINANCIAL REPORT CONTENTS
FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	22
STATEMENT OF FINANCIAL POSITION	23
STATEMENT OF CHANGES IN EQUITY	24
STATEMENT OF CASH FLOWS.....	25
NOTES TO THE FINANCIAL STATEMENTS	26
Note 1. Corporate information.....	26
Note 2. Basis of preparation and accounting policies.....	26
(a) Basis of preparation	26
(b) Compliance with IFRS	26
(c) New accounting standards and interpretations	26
(d) Segment reporting.....	28
(e) Cash and cash equivalents	29
(f) Trade and other receivables	29
(g) Investments and other financial assets	29
(h) Impairment of assets.....	30
(i) Trade and other payables.....	30
(j) Provisions and employee leave benefits.....	30
(k) Contributed equity	30
(l) Revenue recognition.....	30
(m) Income tax	31
(n) Goods and Services Tax (GST)	31
(o) Financial instruments.....	32
(p) Significant accounting judgement, estimates and assumptions	33
(q) Earnings per share.....	34
(r) Comparative figures	34
Note 3. Financial risk management objectives and policies	35
Note 4. Fair value measurement of non-financial instruments	39
Note 5. Segment reporting.....	39
Note 6. Other expenses	39
Note 7. Impairment loss/(gains).....	40
Note 8. Income tax expense.....	40
Note 9. Cash and cash equivalent	41
Note 10. Current assets - Trade and other receivables	41
Note 11. Financial assets	42
Note 12. Current liabilities - Trade and other payables.....	42
Note 13. Current liabilities - Accrued expenses.....	43
Note 14. Current liabilities - Employee benefits.....	43
Note 15. Contributed equity	43
Note 16. Retained losses	44
Note 17. Key management personnel disclosures.....	44
Note 18. Remuneration of auditors.....	44
Note 19. Share capital reduction	45
Note 20. Earnings per share.....	45
Note 21. Related party transactions	45
Note 22. Reconciliation of statement of cash flows.....	45
Note 23. Events after balance date	46
Note 24. Commitments and contingent liabilities.....	46
Note 25. Contingent asset.....	46

ASSET RESOLUTION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016



	Note	2016 \$	2015 \$
Revenue from continuing operations			
Interest income		122,128	488,074
Income from proof of debt claim		-	1,646,591
Gain on realisation of loans	9	-	877,523
Other income		-	64,271
Total revenue from continuing operations		122,128	3,076,459
Expenses			
Administration expenses		6,922	1,715
Other expenses	6	1,108,850	2,142,086
Finance expenses		1,224	13,338
Impairment loss/(gain) on loans	7	1,543,328	(1,953,913)
Other		4,742	9,928
Total expenses		2,665,066	213,154
Profit / (loss) before income tax		(2,542,938)	2,863,305
Income tax benefit/(expense)	8	490,351	(490,351)
Profit / (loss) for the period		(2,052,587)	2,372,954
Other comprehensive income, net of income tax			
Items that will be reclassified subsequently to profit or loss			
Other comprehensive income, net of income tax		-	-
Total comprehensive income, net of income tax		(2,052,587)	2,372,954
Profit / (loss) attributable to members		(2,052,587)	2,372,954
Total comprehensive income attributable to members		(2,052,587)	2,372,954
Earnings per share:			
Basic and diluted (loss)/profit per post-consolidated share (cents)	20	(41.84)	48.37
Basic and diluted (loss)/profit per pre-consolidated share (cents)	20	(0.21)	0.24

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

ASSET RESOLUTION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016



	Note	2016 \$	2015 \$
Assets			
<i>Current assets</i>			
Cash and cash equivalents	9	12,461,140	271,868
Trade and other receivables	10	74,511	1,221,270
Financial assets - mortgage loans	11	-	13,990,500
Total current assets		12,535,651	15,483,638
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	12	23,675	222,801
Accrued expenses	13	44,235	204,171
Employee benefits	14	4,681	50,668
Deferred tax liability	8	-	490,351
Total current liabilities		72,591	967,991
Total non-current liabilities		-	-
Net assets		12,463,060	14,515,647
Equity			
Contributed equity	15	36,773,837	36,773,837
Retained losses	16	(24,310,777)	(22,258,190)
Total equity		12,463,060	14,515,647

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

ASSET RESOLUTION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016



	Ordinary shares \$	Retained earnings \$	Total \$
Balance as at 1 July 2014	55,405,000	(24,631,144)	30,773,856
Profit/(loss) attributable to members	-	2,372,954	2,372,954
Other comprehensive income	-	-	-
Total comprehensive income	-	2,372,954	2,372,954
Transactions with owners in their capacity as owners:			
Dividends paid	-	-	-
Share capital reductions	(18,631,163)	-	(18,631,163)
Sub total	(18,631,163)	-	(18,631,163)
Balance at 30 June 2015	36,773,837	(22,258,190)	14,515,647
Balance as at 1 July 2015	36,773,837	(22,258,190)	14,515,647
(Loss)/Profit attributable to members	-	(2,052,587)	(2,052,587)
Other comprehensive income	-	-	-
Total comprehensive income	-	(2,052,587)	(2,052,587)
Transactions with owners in their capacity as owners:			
Dividends paid	-	-	-
Sub total	-	-	-
Balance at 30 June 2016	36,773,837	(24,310,777)	12,463,060

ASSET RESOLUTION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016



		2016	2015
		\$	\$
Cash flow from operating activities			
Interest received		122,128	488,074
Payments to suppliers and employees		(1,300,482)	(2,044,587)
Net cash provided by/(used in) operating activities	21	(1,178,354)	(1,556,513)
Cash flow from investing activities			
Net proceeds from mortgage loans		-	2,090,155
Net proceeds from settlement of loan and receivables		12,733,214	6,660,245
Net proceeds from from proof of debt claim		-	1,646,591
Mortgage loan advances and property outgoings		(345,588)	(3,395,641)
Net cash provided by/(used in) investing activities		12,387,626	7,001,350
Cash flow from financing activities			
Share capital reductions		980,000	(19,611,163)
Net cash provided by/(used in) financing activities		980,000	(19,611,163)
Net increase/(decrease) in cash and cash equivalents		12,189,272	(14,166,326)
Cash and cash equivalents at beginning of the period		271,868	14,438,194
Cash and cash equivalents at end of the period	9	12,461,140	271,868

NOTES TO THE FINACIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 1. Corporate information

The financial report for Asset Resolution Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 24 August 2016.

Asset Resolution Limited is a company incorporated and domiciled in Australia and limited by shares.

The nature of the operations and principal activities of the Company are described in the Directors' report.

Note 2. Basis of preparation and accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied, unless otherwise stated. The financial statements are for the single entity being Asset Resolution Limited, which is an unlisted public company, incorporated and domiciled in Australia. The financial statements are presented in Australian dollars. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for investment properties and freehold land that have been measured at fair value. Asset Resolution Limited is a for-profit entity for the purposes of preparing the financial report.

(b) Compliance with IFRS

The financial statements of Asset Resolution Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) New accounting standards and interpretations

A number of new and revised standards became effective for the first time for annual periods beginning on or after 1 July 2015. Information on the more significant standards is presented below.

AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

AASB 2015-4 amends AASB 128 *Investments in Associates and Joint Ventures* to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 *Consolidated Financial Statements* for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015. The adoption of this amendment has no impact on the Company.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 2. Basis of preparation and accounting policies (continued)

Accounting standards issued but not yet effective and not been adopted early by the Company

New / revised pronouncement	Superseded pronouncement	Nature of change	Likely impact on initial application
AASB 1057 Application of Australian Accounting Standards	None	In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 <i>Application of Australian Accounting Standards</i> .	When this Standard is first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 118 <i>Revenue</i> AASB 111 <i>Construction Contracts</i> Int. 13 <i>Customer Loyalty Programmes</i> Int. 15 <i>Agreements for the Construction of Real Estate</i> Int. 18 <i>Transfer of Assets from Customers</i> Int. 131 <i>Revenue – Barter Transactions Involving Advertising Services</i> Int. 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>	AASB 15: <ul style="list-style-type: none"> replaces AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations: <ul style="list-style-type: none"> establishes a new revenue recognition model changes the basis for deciding whether revenue is to be recognised over time or at a point in time provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) expands and improves disclosures about revenue <p>In May 2015, the AASB issued ED 260 <i>Income of Not-for-Profit Entities</i>, proposing to replace the income recognition requirements of AASB 1004 <i>Contributions</i> and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.</p>	The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

Note 2. Basis of preparation and accounting policies (continued)

New / revised pronouncement	Superseded pronouncement	Nature of change	Likely impact on initial application
AASB 16 <i>Leases</i>	AASB 117 <i>Leases</i> Int. 4 <i>Determining whether an Arrangement contains a Lease</i> Int. 115 <i>Operating Leases—Lease Incentives</i> Int. 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	AASB 16: <ul style="list-style-type: none"> • replaces AASB 117 <i>Leases</i> and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 • requires new and different disclosures about leases 	The entity currently has no leases and is not expected to have any impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

The Company has not elected to early adopt any of the pronouncements to the reporting period beginning 1 July 2016.

(d) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations, which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

The Company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

There have been no changes from prior period in the measurement methods used to determine reported segment profit or loss.

Note 2. Basis of preparation and accounting policies (continued)

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year-end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investment not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(ii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Note 2. Basis of preparation and accounting policies (continued)

(h) 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).

(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) Provisions and employee leave benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Leave Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(k) Contributed equity

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

(l) 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:

Note 2. Basis of preparation and accounting policies (continued)

(i) Realised gains and losses on sale of assets

The net gain or loss on disposal or settlement of an asset, other than mortgage loan security assets, 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.

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

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(m) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is 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 and 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: (a) it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised (b) the Company continues to comply with the conditions of deductibility imposed by tax legislation and (c) no changes in tax legislation adversely affect the Company in realising the benefits from the deductions for the losses.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(n) 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.

Note 2. Basis of preparation and accounting policies (continued)

(o) Financial instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at Fair Value Through Profit or Loss ('FVTPL')
- Financial assets at Fair Value Through Other Comprehensive Income ('FVTOCI')
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial Assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Note 2. Basis of preparation and accounting policies (continued)

HTM Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. The Company currently does not hold HTM investments.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's AFS financial assets include freehold land held for sale.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit or loss and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(p) Significant accounting judgement, estimates and assumptions

Significant accounting estimates

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.

Mortgage loans are measured using the effective interest method. Where the carrying value of an asset has involved impairment, the loss is recognised in the statement of profit or loss and other comprehensive income.

For impairment considerations, the net realisable value of the mortgage loan has been determined by assessing the market value of the underlying security attached to the mortgage loan. The market 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 market value. For those properties that have not been sold, formal external valuations provide the next best comparison.

Note 2. Basis of preparation and accounting policies (continued)

Judgements: contingent asset

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 market 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 market 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 real estate valuation inputs. Furthermore, the selling period of real estate may be prolonged under current market conditions.

The market 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 net realisable value with reference to the market value as determined by 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.

No value has been assigned to any collateral security held. Whilst this represents the best estimates of net realisable 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 amount recorded in the financial statements or the time taken to sell it may be longer than assumed.

(q) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the ARL, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to member of the ARL adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 3. Financial risk management objectives and policies

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Primary responsibility for identification and control of financial risks is shared between the board members and executive management.

Categories of Financial Assets and Liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

Year ended 30 June 2016

	Note	Assets at FVTOCI \$	Assets at FVTPL \$	Derivatives used for hedging \$	Financial assets at amortised cost \$	Total \$
Financial Assets						
Cash and cash equivalents	9	-	-	-	12,461,140	12,461,140
Trade and other receivables	10	-	-	-	74,511	74,511
		-	-	-	12,535,651	12,535,651

	Note	*Derivatives used for hedging \$	*Designated at FVTPL \$	*Other liabilities at FVTPL \$	#Other liabilities \$	Total \$
Financial Liabilities						
Trade and other payables	12 13	-	-	-	67,910	67,910
Employee benefits	14	-	-	-	4,681	4,681
Total		-	-	-	72,591	72,591

Year ended 30 June 2015

	Note	Assets at FVTOCI \$	Assets at FVTPL \$	Derivatives used for hedging \$	Financial assets at amortised cost \$	Total \$
Financial Assets						
Cash and cash equivalents	9	-	-	-	271,868	271,868
Trade and other receivables	10	-	1,221,270	-	-	1,221,270
Other financial assets	11	-	13,990,500	-	-	13,990,500
Total		-	15,211,770	-	271,868	15,483,638

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 3. Financial risk management objectives and policies (continued)

		*Derivatives used for hedging \$	*Designated at FVTPL \$	*Other liabilities at FVTPL \$	#Other liabilities \$	Total \$
Financial Liabilities						
Trade and other	12	-	-	-	426,972	426,972
payables	13					
Employee benefit	14	-	-	-	50,668	50,668
Total		-	-	-	477,640	477,640

* Carried at fair value

Carried at amortised cost

Risk Exposures and Responses

Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's interest bearing liabilities and short-term deposits. The Company has no debt.

At balance date, the Company had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

	2016 \$	2015 \$
Financial assets		
Cash and cash equivalents	12,457,479	-
Term deposits	-	50,000
	12,457,479	50,000
Financial liabilities		
Interest bearing liabilities	-	-
	-	-
Net exposure	12,457,479	50,000

The Company has no outstanding debt exposed to variable rates of interest.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
Judgements of reasonably possible movements:	2016 \$	2015 \$	2016 \$	2015 \$
+1%	124,574	500	-	-
-1%	(124,574)	(500)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 3. Financial risk management objectives and policies (continued)

Credit Risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Company aims to minimise concentrations of credit risk in relation to trade and other receivables by monitoring transactions, trade debtors are usually nil and other receivable comprise of prepayments and GST receivable.

Cash at bank is held at the National Australia Bank, which has an S&P (Standard & Poors) rating of AA.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days for receivables
- a regular risk review takes place on all receivables and loan balances
- a thorough assessment process is used for all growers loans

The Chief Financial Officer has direct responsibility of the recovery of outstanding accounts. All overdue accounts are now sent directly to the Company's lawyers for legal action after all other avenues of recovery have been exhausted.

Legal action on those particular accounts where the matter is being defended are dealt with directly by the Chief Financial Officer and the lawyers involved.

The Chief Financial Officer regularly reports to the Board of Directors on these matters.

Refer to Note 10 for ageing analysis of receivables.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other available credit lines.

The table below reflects all contractually fixed settlements and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2016.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2016.

The remaining contractual maturities of the Company's financial liabilities are:

	2016 \$	2015 \$
6 months or less	(72,591)	(477,640)
6-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
	(72,591)	(477,640)

Maturity analysis of financial assets and liability based on management's expectations

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Company's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Asset Resolution Limited has established risk reporting covering its business that reflects expectations of management of expected settlement of financial assets and liabilities.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 3. Financial risk management objectives and policies (continued)

	< 6 months \$	6-12 months \$	1-5 years \$	> 5 years \$	Total \$
Year ended 30 June 2016					
Financial Assets					
Cash and cash equivalents	12,461,140	-	-	-	12,461,140
Trade and other receivables	74,511	-	-	-	74,511
Other financial assets	-	-	-	-	-
	<u>12,535,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,535,651</u>
Financial Liabilities					
Trade and other payables	(72,591)	-	-	-	(72,591)
	<u>(72,591)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,591)</u>
Net Maturity	12,463,060	-	-	-	12,463,060
Year ended 30 June 2015					
Financial Assets					
Cash and cash equivalents	271,868	-	-	-	271,868
Trade and other receivables	1,221,270	-	-	-	1,221,270
Other financial assets	13,990,500	-	-	-	13,990,500
	<u>15,483,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,483,638</u>
Financial Liabilities					
Trade and other payables	(477,640)	-	-	-	(477,640)
	<u>(477,640)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(477,640)</u>
Net Maturity	15,005,998	-	-	-	15,005,998

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Board regularly considers the financial requirements of operations including those payments required to fund administration and operational procedures, as well as those payments required to maintain or sell property securities attached to mortgage loans held. Financial cash flows and budgets are regularly presented to the Board for consideration and significant payments are required to be approved at the Board level.

In the prior year, each mortgage loan had a responsible agent, being Castlereagh Capital Ltd. The agent is responsible for managing the creditors relating to assets under agency arrangement. For assets under Controller appointment, the Controller will operate a trust account and make payments and receive income related to the mortgage loan, on behalf of the Company. Any shortfall in working capital will be funded by the Company, and conversely any surplus in working capital will be refunded to the Company upon ceasing of the agency agreement. All invoices relating to the mortgage loan under management are presented to the Company's finance team for recognition in the financial system, except those under Controller appointment. Those mortgage loans under Controller appointment will have their financial position and working capital situation presented

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Other financial asset relate to mortgage loans are measured at amortised cost, using the effective interest rate method and are measured for impairment.

Price risk

The Company's exposure to commodity and equity securities price risk is minimal as the Company does not hold investments in equity securities.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 4. Fair value measurement of non-financial instruments

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 June 2016:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2016				
Other financial assets				
Mortgage loans Assets classified has held for sale	-	-	-	-
30 June 2015				
Other financial assets				
Mortgage loans Assets classified has held for sale	-	-	13,990,500	13,990,500

Fair value of the Company's main assets being mortgage loans is estimated by the directors with based on amortised cost, using the effective interest rate method and are measured for impairment.

Mortgage Loan Assets classified has held for sale (Level 3)

In the prior year, a mortgage loan was held over a group of companies known as the forest resort, a contract for the sale of Forest Resort was executed on 24 July 2015, the sale was completed on 5 November 2015. The total contract amount for Forest Resort is \$14,973,000 (excluding GST and settlement and inventory adjustments). The contract resulted in cash inflow in respect of ARL's mortgage loan of \$12,733,214 following selling fees \$736,203, legal fees of \$285,345, Castlereagh Capital Ltd fees \$298,598 and other expenses of \$919,640. The Forest Resort mortgage loan has an opening carry value of \$13,900,500 as at 30 June 2015, resulting in an impairment of \$1,467,974 during the current year.

Note 5. Segment reporting

Year ended 30 June 2016 and 30 June 2015

The Company has operations in one business segment, distressed asset management.

The distress asset management segment primarily involves the management of distressed property securities, distressed debt and distressed corporate asset.

All operations are conducted in Australia.

Note 6. Other expenses

	2016	2015
	\$	\$
Directors' fees	223,720	350,241
Company secretarial fees	18,000	37,000
Auditor fee	41,468	77,120
Consultancy fees - FTI Consulting (Australia) Pty Limited	-	21,311
Consultancy fees – Castlereagh Capital Ltd	138,359	662,754
Consultancy fees – My Virtual HQ	76,263	-
Insurance – run off insurance	242,420	-
Insurance – annual insurance	-	221,921
Legal fees	172,221	438,440
Registry fees	196,399	333,299
Total	1,108,850	2,142,086

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 7. Impairment loss/(gains)

	Note	2016 \$	2015 \$
Impairment loss on mortgage loans		1,448,864	(1,953,913)
Impairment loss on other receivables		94,464	-
	11	<u>1,543,328</u>	<u>(1,953,913)</u>

Impairment loss on mortgage loans

The sale of Forest Resort Asset for \$14,973,000 was completed on 5 November 2015. The carrying value of the Forest Resort mortgage loan at 30 June 2015 amounted to \$13,990,500 based on estimated costs to settlement of \$982,500. The costs to settlement were underestimated, resulting in mortgage loan impairment of \$1,257,286 in the period; in addition further costs were incurred by ARL resulting in a total impairment of \$1,467,974.

Impairment loss on other receivables

The impairment loss on other receivables related to an aged receivable written off during the year (2015: \$nil).

Note 8. Income tax expense

	2016 \$	2015 \$
(a) The prima facie tax on profit differs from income tax provided in the financial statements as follows:		
Total (loss)/profit before income tax	<u>(2,542,938)</u>	2,863,305
At the statutory income tax rate of 30% (2015: 30%)	(762,881)	858,991
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
Fines and penalties	-	22
Other	<u>14,749</u>	785
	<u>(748,132)</u>	859,798
Less tax effect of :		
Other deductible items	(12,000)	(14,700)
Tax losses not brought to accounts as a deferred tax asset	297,134	-
Recoupment of prior year losses not previously brought to account	-	(271,709)
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	<u>(27,353)</u>	(83,038)
Income tax expense/(benefit)	<u>(490,351)</u>	490,351
(b) Component of income tax expenses (benefit):		
Current tax	-	-
Deferred income tax	<u>(490,351)</u>	490,351
Total income tax expenses/(benefit)	<u>(490,351)</u>	490,351

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 8. Income tax expense (continued)

	2016	2015
	\$	\$
(c) Deferred tax assets/liabilities:		
The balance comprises temporary differences attributable to:		
- Impairment	-	(586,174)
- Accumulated tax losses	-	83,038
- Others	-	12,785
Total deferred tax assets/(liabilities)	-	(490,351)
Net adjustment to deferred tax assets/(liabilities) for tax losses not recognised	-	-
Net deferred tax assets/(liabilities)	-	(490,351)

Note 9. Cash and cash equivalent

	2016	2015
	\$	\$
Cash at bank	12,461,140	62,101
Funds held in trust	-	209,767
	12,461,140	271,868

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Reconciliation to Cash Flow Statement

For the purposes of the Statement of Cash Flows, cash and cash equivalents amount to \$12,461,140 (2015: \$271,868).

Note 10. Current assets - Trade and other receivables

	2016	2015
	\$	\$
Trade debtors (a)	-	67,484
GST receivable (a)	10,457	113,645
Overpayment in respect of capital reduction (b)	-	980,000
Other receivables (a)	64,054	60,141
	74,511	1,221,270

(a) Terms of trade

Trade debtors, GST and other receivable are non-interest bearing and generally on 30-day terms.

(b) Overpayment in respect of capital reduction

The overpayment of \$980,000 to Link Register Services Ltd was refunded in the year ended 30 June 2016, refer to Statement of Cash Flows for further details.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 10 **Current assets – Trade and other receivables (continued)**

		Total	61-90 Days PDNI*	61-90 Days CI*	+ 91 Days PDNI*	+ 91 Days CI*
2016	Trade and other Receivables	74,411	74,411	-	-	-
2015	Trade and other Receivables	1,221,270	1,221,270	-	-	-

*PDNI – Past due not impaired – represents the portion of the outstanding amount that the grower/borrower is servicing under a mutually agreed repayment plan, but is more than 90 days past due.

*CI – Considered impaired

Note 11. **Financial assets**

Current: Financial assets - Mortgage loans

	2016	2015
	\$	\$
Opening carrying value	13,990,500	11,216,591
Receipts during period	(12,733,214)	(2,664,695)
Payments during period	286,042	2,607,168
Impairment gain/(loss) on mortgage loans	(1,543,328)	1,953,913
Gain on realisation on mortgage loans	-	877,523
Balance at the end of the period	-	13,990,500

On 24 July 2015, a contract for the sale of Forest Resort was executed, the sale was completed on 5 November 2015. The total contract amount for Forest Resort is \$14,973,000 (excluding GST and settlement and inventory adjustments). The contract resulted in cash inflow in respect of ARL's mortgage loan of \$12,733,214 after deducting selling fees \$736,203, legal fees of \$285,345, Castlereagh Capital Ltd fees \$298,598 and other expenses of \$919,640. The Forest Resort mortgage loan has an opening carry value of \$13,900,500, resulting in an impairment of \$1,543,328 during the period.

Note 12. **Current liabilities - Trade and other payables**

	2016	2015
	\$	\$
Trade payables	23,675	222,801
	23,675	222,801

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

(b) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 13. Current liabilities - Accrued expenses

	2016 \$	2015 \$
Accrued expenses	44,235	204,171
	44,235	204,171

Note 14. Current liabilities - Employee benefits

	2016 \$	2015 \$
Superannuation and PAYG payable	4,681	50,668
	4,681	50,668

Represent superannuation and PAYG on behalf of employees which was paid in the year ended 30 June 2016.

Note 15. Contributed equity

	2016 No.	\$	2015 No.	\$
Movement in ordinary shares				
Balance at the beginning of the period	980,558,167	36,773,837	980,558,167	55,405,000
Consolidation on basis of 1:200	(975,652,726)	-	-	-
Share capital reductions ⁽¹⁾	-	-	-	(18,631,163)
Balance at the end of the period	4,905,441	36,773,837	980,558,167	36,773,837

⁽¹⁾ On 28 November 2014 and 22 June 2015 respectively, ARL shareholders voted in favour of a resolution for the share capital to be reduced by \$18,631,163 by way of an equal capital reduction. This was effected by ARL paying to each registered holder of a fully paid ordinary share the amount of \$0.01 and \$0.009 per fully paid share. The funds were transferred to shareholders with the amounts of \$9,805,582 on 2 December 2014 and \$8,825,581 on 13 July 2015. Both of the returns of capital had the benefit of having a class ruling issued by the ATO.

Capital Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio and ensure that the Company can fund its operations while it continues to maximise realisations of its mortgage loan portfolio.

The Company's debt and capital includes ordinary share capital and operating 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 in the market. These responses include the management of debt levels, distribution to shareholders and share issues.

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 16. Retained losses

	2016 \$	2015 \$
Opening balance	(22,258,190)	(24,631,144)
Net (loss)/profit for the year	(2,052,587)	2,372,954
Deficit at the end of the year	<u>(24,310,777)</u>	<u>(22,258,190)</u>

Note 17. Key management personnel disclosures

(a) Compensation of key management personnel

	2016 \$	2015 \$
<i>Directors</i>		
Fees	212,642	339,782
Post-employment benefits	11,078	10,449
	<u>223,720</u>	<u>350,241</u>
<i>Executives</i>		
Fees ⁽¹⁾	94,263	37,000
Total	<u>317,983</u>	<u>387,241</u>

⁽¹⁾ During the year:

- a. Company secretarial fees paid to Christina Sutherland amounted to \$9,000 (2015: \$37,000);
- b. Company secretarial fees paid to Victoria Allinson amounted to \$9,000 (2015: \$37,000);
- c. Accounting and administration services provided by Allinson Accounting Services Pty Ltd amount to \$76,263. Services fees have been provided by Ms Allinson since 1 October 2016.

Ms Allinson provides professional accounting, administration and company secretarial services at a fixed fee of \$38,400 per annum pre-Listing \$45,600 per annum post-Listing invoiced by Allinson Accounting Solutions Pty Ltd trading as My Virtual HQ, of which Victoria Allinson is Director and shareholder.

These services were previously provided by Castlereagh Capital Limited and in the period to 30 September 2016 amount to \$138,359 (2015: \$662,754), refer to note 6 for further details.

Note 18. Remuneration of auditors

The auditor of the Company is Grant Thornton.

The amounts received or due and receivable by Grant Thornton Auditors Pty Ltd for:

	2016 \$	2015 \$
Audit services Grant Thornton	25,300	-
Taxation services Grant Thornton	-	-
Total services Grant Thornton	<u>25,300</u>	<u>-</u>
PKF Hacketts Audit	14,866	77,120
Taxation services PKF Hacketts Audit	1,302	5,840
Total	<u>41,468</u>	<u>82,960</u>

ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



Note 19. Share capital reduction

Prior year

On 28 November 2014 and 22 June 2015 respectively, ARL shareholders voted in favour of a resolution for the share capital to be reduced by \$18,631,163 by way of an equal capital reduction. This was effected by ARL paying to each registered holder of a fully paid ordinary share the amount of \$0.01 and \$0.009 per fully paid share. The funds were transferred to shareholders with the amounts of \$9,805,582 on 2 December 2014 and \$8,825,581 on 13 July 2015. Both of the returns of capital had the benefit of having a class ruling issued by the ATO.

Note 20. Earnings per share

	2016	2015
	\$	\$
(a) Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	(2,052,587)	2,372,954
(b) Diluted earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the Company	(2,052,587)	2,372,954
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	4,905,441	980,558,167

Note 21. Related party transactions

Key management personnel

Details relating to key management personnel, are included in Note 17.

Transactions with related parties

There were no related party transactions during the year.

Note 22. Reconciliation of statement of cash flows

	2016	2015
	\$	\$
Net (loss)/profit after tax	(2,052,587)	2,372,954
<i>Non-cash items in profit:</i>		
- mortgage loan impairment (gain)/loss	1,543,328	(1,953,913)
- realisation of mortgage asset (gain)/loss	-	(877,523)
<i>Non-operating items in profit:</i>		
- income from litigation	-	(1,646,591)
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	226,305	-
Increase/(decrease) in payables and accruals	(405,050)	58,209
Increase/(decrease) in deferred tax liabilities	(490,351)	490,351
Net cash inflow/(outflow) from operating activities	(1,178,355)	(1,556,513)

**ASSET RESOLUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**



Note 23. Events after balance date

There are no other matter or circumstance has arisen since 30 June 2016 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 24. Commitments and contingent liabilities

The Company did not have any material commitments or contingent liabilities at 30 June 2016 or 30 June 2015.

Note 25. Contingent asset

ARL is owed approximately \$206 million by Octaviar Limited (formerly MFS Limited) and approximately \$137 million by Octaviar Administration Pty Ltd (formerly MFS Administration Pty Ltd). Although both companies have substantial amounts of cash and other assets that are potentially available to creditors, there are legal disputes about the status of some creditors of each company. Both companies have spent substantial amounts on liquidators' and legal fees, and it is possible that further substantial amounts could be spent before the companies are wound up. For these reasons, it is impossible to forecast with confidence how much, if anything, ARL might recover from these assets, nor is it possible to forecast when ARL might receive any money from them. Accordingly, the directors have resolved to continue showing the Octaviar debts at zero value in ARL's accounts, even though it is possible that ARL will recover some money from these debts.

ASSET RESOLUTION LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

In accordance with a resolution of the directors of Asset Resolution Limited, I state that:

- In the opinion of the directors:
 - The financial statements and notes of Asset Resolution Limited for the financial year ended 30 June 2016 are in accordance with the Corporations Act 2001, including:
 - Giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
 - Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b); and
- 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 has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the Board

Chairman



Mr Giles Craig
Chairman

Sydney,

Dated this 24th day of August 2016



Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Asset Resolution Limited

Report on the financial report

We have audited the accompanying financial report of Asset Resolution Limited (the "Company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

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. Those standards require us to 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 Company's preparation of the financial report that gives a true and fair view in order to

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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.

Independence

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

Auditor's opinion

In our opinion:

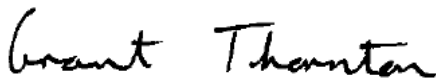
- a the financial report of Asset Resolution Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 16 to 19 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Asset Resolution Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



G S Layland
Director - Audit & Assurance

Sydney, 24 August 2016