

# FORM: ~~Half yearly~~/preliminary final report

Name of issuer

ASSET RESOLUTION LIMITED

ACN or ARBN

159 827 871

Half yearly  
(tick)

Preliminary  
final (tick)

Half year/financial year ended  
(‘Current period’)

30 JUNE 2017

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				\$A,000
Revenue (item 1.1)	up/down	95%	to	238
Profit (loss) for the period (item 1.9)	up/down	84%	to	(326)
Profit (loss) for the period attributable to members of the parent (item 1.11)	up/down	84%	to	(326)
<b>Dividends</b>				
Franking rate applicable:		Current period n/a	Previous corresponding period n/a	
<b>Final dividend</b> (preliminary final report only)(item 10.13-10.14)		n/a	n/a	
Amount per security				
Franked amount per security				
<b>Interim dividend</b> (Half yearly report only) (item 10.11 – 10.12)		n/a	n/a	
Amount per security				
Franked amount per security				
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

# Annual meeting

(Preliminary final statement only)

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available


## Compliance statement


- This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

--

- This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
- This statement does/does not\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
- This statement is based on financial statements to which one of the following applies:
 

<input type="checkbox"/> The financial statements have been audited.	<input type="checkbox"/> The financial statements have been subject to review by a registered auditor (or overseas equivalent).
<input type="checkbox"/> The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed.
- If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)
- The *issuer* has/does not have\* (*delete one*) a formally constituted audit committee.

Sign here:  .....

(Company secretary)

Date: 8 August 2017

Print name: Victoria Allinson



**ASSET RESOLUTION LIMITED**  
**ABN 99 159 827 871**

**ANNUAL REPORT**  
**FOR THE YEAR ENDED**  
**30 JUNE 2017**



**ASSET RESOLUTION LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

**CORPORATE DIRECTORY**

**Directors**

Giles Craig (Chairman)  
John Sergeant (Non-Executive Director)  
Graham Holdaway (Non-Executive Director)

**Company Secretary**

Victoria Allinson

**Registered Office and Principal Place of Business**

Suite 816  
147 Pirie 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

**NSX code**

ASS

**Website**

[www.arlimited.com.au](http://www.arlimited.com.au)

**ASSET RESOLUTION LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 2017 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	26 November 2016	-
John Sergeant	Independent Non-Executive	11 September 2015	24 November 2015	-
Graham Holdaway	Independent Non-Executive	1 April 2017	-	-
Frederick Woollard	Non-Executive Director	11 September 2015	-	30 June 2017

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 2017**

**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.

**Graham Holdaway BCA, Dip Acct, ACA, MAICD  
Independent Non-Executive Director**



Board member since April 2017.

Mr Holdaway is a director of ASX Listed, Kangaroo Island Planation Timbers Limited.

He has also served on boards of natural resources companies with operations in Australia, Indonesia, Papua New Guinea and the United Kingdom. He is a former partner of KPMG. He is a former partner of KPMG.

In the period June 2012 to June 2014, Mr Holdaway was a member of two listed boards: Asia Resource Minerals plc and PT Apexindo Pratama Duta Tbk.

**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 2017**
**Directors (continued)**
*Interest in ordinary post-consolidated shares*

Directors	Opening interest at 1 July 2016	Net changes during the period	Granted as remuneration	Closing interest at 30 June 2017 & date of this report
Giles Craig	329,129	(292,431)	-	36,698
John Sergeant	22,150	5,887	-	28,037
Graham Holdaway <sup>(i)</sup>	-	3,944	-	3,944
Frederick Woollard <sup>(ii)</sup>	1,214,271	(1,214,271)	-	-
<b>Total Directors<sup>(iii)</sup></b>	<b>1,256,421</b>	<b>(1,187,742)</b>	<b>-</b>	<b>68,679</b>

(i) Mr Holdaway was appointed on 1 April 2017

(ii) Mr Woollard resigned 30 June 2017

(iii) 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 2017 and at the date of this report:

(1) Giles Craig holds 36,698 shares:

- 20,000 shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. These shares were acquired in December 2015 at \$2 per share.
- 7,709 shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. These shares were acquired in April 2017 from Hamilton Securities Limited December 2015 at \$2.12 per share.
- 8,989 shares are held by Giles and Vicki Craig ATF the Craig Family Superannuation Fund of which Mr Craig has effective control. The shares were acquired during the year for between \$2.12 and \$2.15 per share; and.

In February 2017, 309,129 were bought back by the Company at \$2.15 per share from Hamilton Securities Limited in which he is a director and shareholder.

(2) John Sergeant holds 28,037 shares:

- 20,000 shares are held in Phalaenopsis Pty Ltd ATF Sergeant Family Trust, of which he has effective control. These shares were acquired in the period at \$2 per share;
- 2,150 are held directly, these shares were acquired in the period at \$2 per share; and
- 5,887 share are held by John David Sergeant <Sergeant Family Superannuation Fund A/C>. Mr Sergeant has effective control of his fund. The shares were acquired during the year for between \$2.12 and \$2.15 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) Graham Holdaway holds 3,944 shares, the shares are held by Graham and Kristina Holdaway ATF the G&K Superfund, of which he has effective control. These shares were acquired in the period at \$2.12 per share.



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2017**

**Directors (continued)**

(4) Frederick Woollard was appointed as a Director on 11 September 2015, he held 1,027,077 shares at the date of his resignation:

- 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 respectively;
- 121,935 shares held by STAR, these shares were acquired in March 2017 from Hamilton Securities Limited December 2015 at \$2.12 per share; and
- 185 shares are held in Woollard Super Fund of which he is a beneficiary.

In February 2017, 309,129 were bought back by the Company at \$2.15 per share from Hamilton Securities Limited in which he is a director and shareholder.

*Interest in Options*

There are no options on issue.

**Chief Financial Officer and Company Secretary**

**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 for Kangaroo Island Plantation Timbers Ltd and Marmota Limited and a number of other entities.

**Dividends**

The directors have resolved not to declare a dividend for the year ended 30 June 2017. No dividends were paid during the previous year.

**Principal activities**

During the year the principal activity of the Company was: holding existing Distressed Assets and identifying potential Distressed Assets to acquire.

**Corporate information**

On 27 November 2016, ARL official quotation on the NSX commenced.

At the 2016 Annual General Meeting the shareholders approved a number of buyback, of which the following were executed during the year:

- ┐ Unmarketable Parcel Buyback 619,132 shares at \$2.12; and
- ┐ On-market Buyback 253,823 shares at \$2.12.

## ASSET RESOLUTION LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

#### Operating and financial review

##### *Review of current period operations*

During the year the Company's losses amounted to \$326,132 (2016 losses: \$2,052,587). The decrease in losses is primarily due:

- ) lower head office expenses \$570,225 compared to \$1,121,738 in the prior year;
- ) lower impairment costs of \$(5,760) compared to \$1,543,328 in respect of the Forest Resort asset sale in the prior year;

The head office costs of ARL have been significantly reduced for the second consecutive year. The \$551,513 (2016: \$1,045,329) decreases is primarily due to:

- Directors' fees have decreased by a further \$23,720 (2016 decreased by \$126,521);
- accounting and administrative fees have decreased by a further \$143,556 (2016 decreased by \$469,443);
- legal fees have decreased by further \$112,593 (2016 decreased by \$266,219);
- share registry fees have decreased by a further \$70,791 (2016 decreased by \$136,900);
- insurance costs have decreased by \$242,783 majority of which related to run off insurance acquired in September 2015 by the previous board (2016 increased by \$20,499);
- audit fees have decreased by a further \$14,518 (2016 decreased by \$35,652); offset by
- higher listing fees of \$78,132 (2016 increased by \$47,268).

ARL currently manages the following portfolio:

- a) Mortgage loan issued during the year amounting to \$3,250,000.
- b) Distressed Debt due from Octaviar Limited (formerly MFS Limited) and Octaviar Administration Pty Ltd (formerly MFS Administration Pty Ltd):

Octaviar Limited and Octaviar Administration Pty both have substantial amounts of cash and other assets that are potentially available to creditors, however 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.

- c) Other corporate assets:

1,334,840 (2016: 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 \$0.098 per share (as at 31 December 2016) and recent share price of \$0.06 per share. This holding is currently shown in ARL's accounts at zero. During the year 460,000 of shares were sold for \$29,720 (2016: \$nil).

#### 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 (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

#### Operating and financial review

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#### 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.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2017**

**Significant events after balance date**

There are no matters or circumstances that have arisen since 30 June 2017 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 value from them.

**Diversity Report**

**Introduction**

The following is the Diversity Report for the financial year ended 30 June 2017 for ARL ("the Company") prepared for the purposes of the Company's Financial Statements for the year ended 30 June 2017.

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.

**Diversity Policy**

The Diversity Policy is based upon the recommendations of the ASX and the Australian Institute of Company Directors ("AICD") and as such does 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 2017 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.

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**
**Diversity Report (continued)**
**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
<b>Phase 1 – Strategies</b>		
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
<b>Phase 2 - Initiatives and Programs</b>		
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
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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2017**

**Diversity Report (continued)**

Notes:

- J 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.
- J 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:

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

**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.

## ASSET RESOLUTION LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

#### Indemnification and insurance of officers

During the year, the Company paid a premium of \$nil (2016: \$242,420), all of which related to run off insurance acquired by the previous Board.

#### 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	15	15	2	2
John Sergeant	15	15	2	2
Frederick Woollard	15	15	2	2
Graham Holdaway	4	4	-	-

#### 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.

#### Auditor independence and non-audit services

The directors have received the auditor's independence declaration, which is included on page 20 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



**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**
**Auditor independence and non-audit services (continued)**

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:

	2017 \$	2016 \$
An audit or review of the financial report of the entity and any other entity in the entity		
Audit services Grant Thornton	26,950	25,300
Taxation services Grant Thornton	2,000	-
<b>Total services Grant Thornton</b>	<b>28,950</b>	<b>25,300</b>
PKF Hacketts Audit	-	14,866
Taxation services PKF Hacketts Audit	-	1,302
<b>Total</b>	<b>28,950</b>	<b>41,468</b>

**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:

Giles Craig (Chair) appointed 11 September 2015

John Sergeant (Director) appointed 11 September 2015

Graham Holdaway (Director) appointed 1 April 2017

Frederick Woollard (Director) appointed 11 September 2015, resigned 30 June 2017

Victoria Allinson (Company Secretary and CFO) appointed 1 October 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.



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2017**

**Remuneration report (audited) (continued)**

***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.

At the 2016 Annual General Meeting the ARL Shareholders voted to pay 100% of the directors fees in shares. For the year ended 30 November 2017 the Shareholders voted to pay each director \$50,000 in shares at \$2.00 per share.

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.

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.

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**
**Remuneration report (audited) (continued)**

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$	Year ended 30 June 2014 \$	8 August 2012 to 30 June 2013 \$
<b>Results</b>					
Revenue from ordinary activities from continuing operations	-	-	2,588,385	3,272,286	-
Interest and other income	238,334	122,128	488,074	271,004	38,864
Expenses	(570,226)	(1,121,738)	(2,167,067)	(2,225,158)	(2,593,566)
Impairment gain/(loss) on mortgage loans	5,760	(1,543,328)	1,953,913	(5,928,531)	(17,466,043)
Profit/(loss) attributable to members for the period	<b>(326,132)</b>	<b>(2,542,938)</b>	<b>2,863,305</b>	<b>(4,610,399)</b>	<b>(20,020,745)</b>
Income tax benefit/(expenses)	-	490,351	(490,351)	-	-
Total income/(loss) after tax	<b>(326,132)</b>	<b>(2,052,587)</b>	<b>2,372,954</b>	<b>(4,610,399)</b>	<b>(20,020,745)</b>
<b>Basic and diluted earnings per share in cents:</b>	(7.11)	(41.84)	48.37	(93.99)	(432.00)
<b>Net Assets</b>					
Cash and receivables	7,181,696	12,535,651	1,493,138	15,862,279	3,063,553
Financial assets	3,250,000	-	13,990,500	16,149,563	36,688,375
Total liabilities - current	(145,447)	(72,591)	(967,991)	(1,237,986)	(4,367,673)
Net Assets	<b>10,286,249</b>	<b>12,463,060</b>	<b>14,515,647</b>	<b>30,773,856</b>	<b>35,384,255</b>
<b>Number of Post Consolidated Shares on issue</b>	4,032,479	4,905,441	4,905,441	4,905,441	4,905,441
<b>Net tangible assets per share:</b>	255.0	254.0	295.9	627.3	721.3

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 2017, the remuneration paid to the Directors of the Company amounted to \$200,000 (2016: \$223,720).

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**
**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 <sup>(i)</sup> \$	Total \$
Non-Executive Directors									
Giles Craig	2017	22,831	-	-	2,169	-	-	29,167	54,167
	2016	44,099	-	-	4,189	-	-	-	48,288
John Sergeant	2017	22,831	-	-	2,169	-	-	29,167	54,167
	2016	44,099	-	-	4,189	-	-	-	48,288
Frederick Woollard <sup>(ii)</sup>	2017	50,000	-	-	-	-	-	29,167	79,167
	2016	48,288	-	-	-	-	-	-	48,288
Graham Holdaway <sup>(iii)</sup>	2017	-	-	-	-	-	-	12,499	12,499
	2016	-	-	-	-	-	-	-	-
David Beddall <sup>(v)</sup>	2017	-	-	-	-	-	-	-	-
	2016	20,000	-	-	-	-	-	-	20,000
Tony Pope <sup>(v)</sup>	2017	-	-	-	-	-	-	-	-
	2016	27,740	-	-	-	-	-	-	27,740
Lindsay Johnston <sup>(v)</sup>	2017	-	-	-	-	-	-	-	-
	2016	28,416	-	-	2,700	-	-	-	31,116
Total	2017	95,662	-	-	4,338	-	-	100,000	200,000
	2016	212,642	-	-	11,078	-	-	-	223,720
Other KMP									
Victoria Allinson <sup>(iv)</sup>	2017	81,948	-	-	-	-	-	-	81,948
	2016	85,263	-	-	-	-	-	-	85,263
Christina Sutherland <sup>(v)</sup>	2017	-	-	-	-	-	-	-	-
	2016	9,000	-	-	-	-	-	-	9,000
Total	2017	177,610	-	-	4,338	-	-	100,000	281,948
	2016	306,905	-	-	11,078	-	-	-	317,983

(i) Directors are paid \$50,000 each in shares from 1 December 2016, as approved by shareholder at the 2016 Annual General Meeting. At the 30 June 2017, \$100,000 of share-based payment have been accrued at \$2.00 per share. 43,750 Shares will be issued in November 2017. The recently appointed director, Mr Holdaway's 6,250 shares will be issued after the year end, subject to Shareholder approval at the November 2017 Annual General Meeting.

(ii) Resigned 30 June 2017.

(iii) Appointed on 1 April 2017.

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**
**Remuneration report (audited) (continued)**

(iv) Appointed on 1 October 2015. Ms Allinson provides professional accounting, administration and company secretarial services at a fixed fee \$45,600 per annum (\$38,400 per annum pre-Listing) 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 \$39,348 (2016: \$46,862). The services are provided by Ms Allinson and her employees.

(v) 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.

During the year a secured loan of \$3,250,000 was provided to John Sergeant. The loan was established to provide a commercial benefit to both parties, the Company is earning a higher interest than can be obtained on its bank savings account and Mr Sergeant is saving interest. In addition, the loan terms include requirements to reduce the risks for the Company. The key terms of the loan are set out in Note 19.

There are no other related party transactions.

**Option holdings of Key Management Personnel**

There are no option holdings for the Company.

**Shareholdings of Key Management Personnel**

	Opening interest at 1 July 2016	Net changes during the period	Granted as remuneration	Closing interest at 30 June 2017 & date of this report
<b>Directors</b>				
Giles Craig	329,129	(292,431)	-	36,698
John Sergeant	22,150	5,887	-	28,037
Graham Holdaway <sup>(i)</sup>	-	3,944	-	3,944
Frederick Woollard <sup>(ii)</sup>	1,214,271	(1,214,271)	-	-
<b>Total Directors<sup>(iii)</sup></b>	<b>1,256,421</b>	<b>(1,187,742)</b>	<b>-</b>	<b>68,679</b>
<b>Executives</b>				
Victoria Allinson	324	364		688
<b>Total KMP</b>	<b>1,256,745</b>	<b>(1,187,378)</b>		<b>69,367</b>

(i) Mr Holdaway was appointed on 1 April 2017

(ii) Mr Woollard resigned 30 June 2017

(iii) 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 2017 and at the date of this report:

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2017**

**Remuneration report (audited) (continued)**

(1) Giles Craig holds 36,698 shares:

- 20,000 shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. These shares were acquired in December 2015 at \$2 per share.
- 7,709 shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. These shares were acquired in April 2017 from Hamilton Securities Limited December 2015 at \$2.12 per share.
- 8,989 shares are held by Giles and Vicki Craig ATF the Craig Family Superannuation Fund of which Mr Craig has effective control. The shares were acquired during the year for between \$2.12 and \$2.15 per share; and.
- In February 2017, 309,129 were bought back by the Company at \$2.15 per share from Hamilton Securities Limited in which he is a director and shareholder.

(2) John Sergeant holds 28,037 shares:

- 20,000 shares are held in Phalaenopsis Pty Ltd ATF Sergeant Family Trust, of which he has effective control. These shares were acquired in the period at \$2 per share;
- 2,150 are held directly, these shares were acquired in the period at \$2 per share; and
- 5,887 share are held by John David Sergeant <Sergeant Family Superannuation Fund A/C>. Mr Sergeant has effective control of his fund. The shares were acquired during the year for between \$2.12 and \$2.15 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) Graham Holdaway holds 3,944 shares, the shares are held by Graham and Kristina Holdaway ATF the G&K Superfund, of which he has effective control. These shares were acquired in the period at \$2.12 per share.

(4) Frederick Woollard was appointed as a Director on 11 September 2015, he held 1,027,077 shares at the date of his resignation:

- 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 respectively;
- 121,935 shares held by STAR, these shares were acquired in March 2017 from Hamilton Securities Limited December 2015 at \$2.12 per share; and
- 185 shares are held in Woollard Super Fund of which he is a beneficiary.

In February 2017, 309,129 were bought back by the Company at \$2.15 per share from Hamilton Securities Limited in which he is a director and shareholder.

(5) Victoria Allinson 688 shares:

- 324 shares are held Ms Allinson ATF Vicky and Zoe Allinson Family Trust; and
- 344 shares acquired in the year by Victoria and David Allinson <Allinson Super Fund>.

**End of Remuneration Report**

**Shares options**

There are no shares under option.

**ASSET RESOLUTION LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2017**

**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:

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

Giles Craig (Chairman)

Sydney, 8 August 2017

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## 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 2017, 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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



G S Layland  
Director - Audit & Assurance

Sydney, 8 August 2017

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## **ASSET RESOLUTION LIMITED**

### **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

Asset Resolution Limited (“Company”) and the Board of Directors are responsible for 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 2017 is dated and was approved by the Board on 18 May 2017 and reviewed on 8 August 2017. The Corporate Governance Statement is available at [www.arlimited.com.au](http://www.arlimited.com.au).



**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>Revenue from continuing operations</b>			
Interest income		208,702	122,128
Other income		29,632	-
Total revenue from continuing operations		238,334	122,128
<b>Expenses</b>			
Administration expenses		14,285	6,922
Other expenses	5	553,066	1,108,850
Finance expenses		323	1,224
Impairment loss/(gain) on loans	6	(5,760)	1,543,328
Other		2,552	4,742
Total expenses		564,466	2,665,066
<b>Profit / (loss) before income tax</b>		<b>(326,132)</b>	<b>(2,542,938)</b>
Income tax benefit/(expense)	7	-	490,351
<b>Profit / (loss) for the period</b>		<b>(326,132)</b>	<b>(2,052,587)</b>
<b>Other comprehensive income, net of income tax</b>			
Items that will be reclassified subsequently to profit or loss			
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive income, net of income tax</b>		<b>(326,132)</b>	<b>(2,052,587)</b>
<b>Profit / (loss) attributable to members</b>		<b>(326,132)</b>	<b>(2,052,587)</b>
<b>Total comprehensive income attributable to members</b>		<b>(326,132)</b>	<b>(2,052,587)</b>
<b>Earnings per share:</b>			
Basic and diluted (loss)/profit per share (cents)	18	(7.11)	(41.84)

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

**ASSET RESOLUTION LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	<b>Note</b>	<b>2017</b> \$	<b>2016</b> \$
<b>Assets</b>			
<i><b>Current assets</b></i>			
Cash and cash equivalents	8	7,171,982	12,461,140
Trade and other receivables	9	9,714	74,511
Financial assets - mortgage loans	10	3,250,000	-
<b>Total current assets</b>		<b>10,431,696</b>	<b>12,535,651</b>
<b>Liabilities</b>			
<i><b>Current liabilities</b></i>			
Trade and other payables	11	9,753	23,675
Accrued expenses	12	135,694	44,235
Employee benefits	13	-	4,681
<b>Total current liabilities</b>		<b>145,447</b>	<b>72,591</b>
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>10,286,249</b>	<b>12,463,060</b>
<b>Equity</b>			
Contributed equity	14	34,923,158	36,773,837
Retained losses	15	(24,636,909)	(24,310,777)
<b>Total equity</b>		<b>10,286,249</b>	<b>12,463,060</b>

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 2017**

	Ordinary shares \$	Retained earnings \$	Total \$
Balance as at 1 July 2015	<b>36,773,837</b>	<b>(22,258,190)</b>	<b>14,515,647</b>
(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	-	-	-
<b>Balance at 30 June 2016</b>	<b>36,773,837</b>	<b>(24,310,777)</b>	<b>12,463,060</b>
Balance as at 1 July 2016	<b>36,773,837</b>	<b>(24,310,777)</b>	<b>12,463,060</b>
(Loss)/Profit attributable to members	-	(326,132)	(326,132)
Other comprehensive income	-	-	-
Total comprehensive income	-	(326,132)	(326,132)
Transactions with owners in their capacity as owners:			
Buyback of shares	(1,850,679)	-	(1,850,679)
Dividends paid	-	-	-
Sub total	<b>(1,850,679)</b>	-	<b>(1,850,679)</b>
<b>Balance at 30 June 2017</b>	<b>34,923,158</b>	<b>(24,636,909)</b>	<b>10,286,249</b>

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

**ASSET RESOLUTION LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017**

		<b>2017</b>	<b>2016</b>
		\$	\$
<b>Cash flow from operating activities</b>			
Interest received		208,697	122,128
Payments to suppliers and employees		(426,808)	(1,300,482)
<b>Net cash provided (used in)/by operating activities</b>	20	(218,111)	(1,178,354)
<b>Cash flow from investing activities</b>			
Net proceeds from the sale of investments		29,632	-
Net proceeds from settlement of loan and receivables		-	12,733,214
Net proceeds from from proof of debt claim		-	-
Mortgage loan advances and property outgoings		(3,250,000)	(345,588)
<b>Net cash provided (used in)/by investing activities</b>		(3,220,368)	12,387,626
<b>Cash flow from financing activities</b>			
Share capital reductions		-	980,000
Buyback of share capital		(1,850,679)	-
<b>Net cash provided (used in)/by financing activities</b>		(1,850,679)	980,000
<b>Net increase/(decrease) in cash and cash equivalents</b>		(5,289,158)	12,189,272
Cash and cash equivalents at beginning of the period		12,461,140	271,868
<b>Cash and cash equivalents at end of the period</b>	8	7,171,982	12,461,140

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**Note 1. Corporate information**

The financial report for Asset Resolution Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 8 August 2017.

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 2016. Information on the more significant standards is presented below.

***AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- ) the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- ) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

AASB 2014-4 is applicable to annual reporting periods beginning on or after 1 January 2016.

**ASSET RESOLUTION LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 2. Basis of preparation and accounting policies (continued)**
**AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101**

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments:

- ✓ clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- ✓ clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- ✓ add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- ✓ clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- ✓ remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

AASB 2015-2 is applicable to annual reporting periods beginning on or after 1 January 2016.

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

<b>New / revised pronouncement</b>	<b>Superseded pronouncement</b>	<b>Nature of change</b>	<b>Likely impact on initial application</b>
AASB 9 <i>Financial Instruments</i> (December 2014)	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <ul style="list-style-type: none"> <li>a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.</li> <li>b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.</li> <li>d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> </ul>	<p><i>The entity is yet to undertake a detailed assessment of the impact of AASB 9. 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.</i></p>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

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

<b>New / revised pronouncement</b>	<b>Superseded pronouncement</b>	<b>Nature of change</b>	<b>Likely impact on initial application</b>
AASB 9 <i>Financial Instruments</i> (December 2014) <i>continued</i>	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	<p>e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <p>Z the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)</p> <p>Z the remaining change is presented in profit or loss</p> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <p>Z classification and measurement of financial liabilities; and</p> <p>Z derecognition requirements for financial assets and liabilities.</p> <p>AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.</p> <p>Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.</p>	
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>	<p>AASB 15:</p> <p>J replaces AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations:</p> <ul style="list-style-type: none"> <li>- establishes a new revenue recognition model</li> <li>- changes the basis for deciding whether revenue is to be recognised over time or at a point in time</li> <li>- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)</li> <li>- expands and improves disclosures about revenue</li> </ul> <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>	<p>The entity is yet to undertake a detailed assessment of the impact of AASB 15 as the company currently has no contracts with customers. 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.</p>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 2. Basis of preparation and accounting policies (continued)**

<b>New / revised pronouncement</b>	<b>Superseded pronouncement</b>	<b>Nature of change</b>	<b>Likely impact on initial application</b>
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"> <li>) replaces AASB 117 <i>Leases</i> and some lease-related Interpretations</li> <li>) requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases</li> <li>) provides new guidance on the application of the definition of lease and on sale and lease back accounting</li> <li>) largely retains the existing lessor accounting requirements in AASB 117</li> <li>) requires new and different disclosures about leases</li> </ul>	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.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	None	AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.	<i>Refer to the section on AASB 15 above.</i>
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	None	AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.	<i>Refer to the section on AASB 9 above.</i>
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	None	AASB 2015-8 amends the mandatory application date of AASB 15 <i>Revenue from Contracts with Customers</i> so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> .	Refer to the section on AASB 15 above.
AASB 2016-1 <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	None	AASB 2016-1 amends AASB 112 <i>Income Taxes</i> to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.	When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	None	AASB 2016-2 amends AASB 107 <i>Statement of Cash Flows</i> to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements, other than additional disclosure reconciling changes in liabilities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 2. Basis of preparation and accounting policies (continued)**

<b>New / revised pronouncement</b>	<b>Superseded pronouncement</b>	<b>Nature of change</b>	<b>Likely impact on initial application</b>
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	None	<p>The amendments clarify the application of AASB 15 in three specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:</p> <ol style="list-style-type: none"> <li>1 Identify performance obligations (by clarifying how to apply the concept of ‘distinct’);</li> <li>2 Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle);</li> <li>3 Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company’s activities significantly affect the intellectual property to which the customer has rights).</li> </ol> <p>The amendments also create two additional practical expedients available for use when implementing AASB 15:</p> <ol style="list-style-type: none"> <li>1 For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.</li> <li>2 Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.</li> </ol>	Refer to the section on AASB 15 above.

The Company has not elected to early adopt any of the pronouncements to the reporting period beginning 1 July 2017.

**(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”.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

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

#### (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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 2. Basis of preparation and accounting policies (continued)**

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.

**(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.

## ASSET RESOLUTION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

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**

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.



## ASSET RESOLUTION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

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.

#### (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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

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.

#### ***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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

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.

#### *Judgements: contingent asset*

Over recent periods there has been significant volatility in global financial markets, which has impacted upon many types of businesses.

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 the reasons set out above, 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, no value has been assigned to these assets; whilst this represents the best estimates of net realisable values as at reporting date, the current market uncertainty means that if the debt is repaid, the amount and timing of funds received is uncertain.

ARL also hold 1,334,840 shares in ASX listed Raptis Group Limited. There have been no recent offers above 2.2 cents and the liquidity is low, therefore ARL does not believe it can sell all of its Raptis Group Limited at present.

No value has been assigned to the investment asset. Whilst this represents the best estimates of net realisable values as at reporting date, the current market uncertainty means that if shares are sold, the price achieved may differ from the most recent offers or the amount recorded in the financial statements or the time taken to sell it may differ than that 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**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 2017**

	Note	Assets at FVTOCI \$	Assets at FVTPL \$	Derivatives used for hedging \$	Financial assets at amortised cost \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	8	-	-	-	7,171,982	<b>7,171,982</b>
Trade and other receivables	9	-	-	-	9,714	<b>74,511</b>
Financial assets	10	-	-	-	3,250,000	<b>3,250,000</b>
		-	-	-	10,431,696	<b>10,431,696</b>

	Note	*Derivatives used for hedging \$	*Designated at FVTPL \$	*Other liabilities at FVTPL \$	#Other liabilities \$	Total \$
<b>Financial Liabilities</b>						
Trade and other payables	11	-	-	-	145,447	<b>145,447</b>
Employee benefits	12	-	-	-	-	-
Total	13	-	-	-	145,447	<b>145,447</b>

**Year ended 30 June 2016**

	Note	Assets at FVTOCI \$	Assets at FVTPL \$	Derivatives used for hedging \$	Financial assets at amortised cost \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	8	-	-	-	12,461,140	12,461,140
Trade and other receivables	9	-	-	-	74,511	74,511
		-	-	-	12,535,651	12,535,651

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 3. Financial risk management objectives and policies (continued)**

	Note	*Derivatives used for hedging \$	*Designated at FVTPL \$	*Other liabilities at FVTPL \$	#Other liabilities \$	Total \$
<b>Financial Liabilities</b>						
Trade and other payables	11 12	-	-	-	67,910	67,910
Employee benefits	13	-	-	-	4,681	4,681
Total		-	-	-	72,591	72,591

\* 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:

	2017 \$	2016 \$
<b>Financial assets</b>		
Cash and cash equivalents	7,171,982	12,457,479
Financial assets	3,250,000	-
	<b>10,421,982</b>	<b>12,457,479</b>
<b>Financial liabilities</b>		
Interest bearing liabilities	-	-
	-	-
Net exposure	<b>10,421,982</b>	<b>12,457,479</b>

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 2017, 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:	2017 \$	2016 \$	2017 \$	2016 \$
+1%	104,220	124,574	-	-
-1%	(104,220)	(124,574)	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**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 9 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 2017.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2017.

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
6 months or less	<b>(145,447)</b>	(72,591)
6-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
	<b>(145,447)</b>	<b>(72,591)</b>

***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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 3. Financial risk management objectives and policies (continued)**

	< 6 months	6-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
<b>Year ended 30 June 2017</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	7,171,982	-	-	-	7,171,982
Trade and other receivables	9,714	-	-	-	9,714
Other financial assets	3,250,000	-	-	-	3,250,000
	10,431,696	-	-	-	10,431,696
<b>Financial Liabilities</b>					
Trade and other payables	(145,447)	-	-	-	(145,447)
	(145,447)	-	-	-	(145,447)
<b>Net Maturity</b>	<b>10,286,249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,286,249</b>
<b>Year ended 30 June 2016</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	12,461,140	-	-	-	12,461,140
Trade and other receivables	74,511	-	-	-	74,511
Other financial assets	-	-	-	-	-
	12,535,651	-	-	-	12,535,651
<b>Financial Liabilities</b>					
Trade and other payables	(72,591)	-	-	-	(72,591)
	(72,591)	-	-	-	(72,591)
<b>Net Maturity</b>	<b>12,463,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,463,060</b>

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.

***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.

**Note 4. Segment reporting**
***Year ended 30 June 2017 and 30 June 2016***

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 5. Other expenses**

	2017	2016
	\$	\$
Directors' fees	200,000	223,720
Company secretarial fees	13,400	18,000
Auditor fee	26,950	41,468
Consultancy fees – Castlereagh Capital Ltd	-	138,359
Consultancy fees – My Virtual HQ	56,361	61,558
Insurance – run off insurance	-	242,420
Insurance	(363)	-
Legal fees	27,065	139,658
Registry fees	125,608	196,399
Listing costs	78,138	47,268
NSX and NOMAD fees	25,907	-
<b>Total</b>	<b>553,066</b>	<b>1,108,850</b>

The company listed on the NSX in November 2017.

**Note 6. Impairment loss/(gains)**

	2017	2016
	\$	\$
Impairment loss on mortgage loans	(5,760)	1,448,864
Impairment loss on other receivables	-	94,464
	<b>(5,760)</b>	<b>1,543,328</b>

***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 prior period; in addition further costs were incurred by ARL resulting in a total impairment of \$1,467,974 in the prior year. In the current year a net refund of costs \$5,760 was received by ARL.

***Impairment loss on other receivables***

The impairment loss on other receivables related to an aged receivable written off during the year (2016: \$94,464).

**Note 7. Income tax expense**

	2017	2016
	\$	\$
(a) <b>The prima facie tax on profit differs from income tax provided in the financial statements as follows:</b>		
Total (loss)/profit before income tax	326,132	(2,542,938)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 7. Income tax expense (continued)**

	2017 \$	2016 \$
At the statutory income tax rate of 30% (2016: 30%)	(97,840)	(762,881)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
Fines and penalties	-	-
Other	23,441	14,749
	(74,399)	(748,132)
Less tax effect of :		
Other deductible items	-	(12,000)
Tax losses not brought to accounts as a deferred tax asset	74,399	297,134
Recoupment of prior year losses not previously brought to account	-	-
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	-	(27,353)
Income tax expense/(benefit)	-	(490,351)
<b>(b) Component of income tax expenses (benefit):</b>		
Current tax	-	-
Deferred income tax	-	(490,351)
Total income tax expenses/(benefit)	-	(490,351)

***Tax losses not recognised***

The gross value of tax losses not recognised at 30 June 2017 amount to \$648,327 (2016: \$573,928) and the gross value of tax losses carried forward amounted to \$2,160,090 (2016: \$1,313,093). The franking credits are \$nil (2016: \$nil).

**Note 8. Cash and cash equivalent**

	2017 \$	2016 \$
Cash at bank	7,171,982	12,461,140

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 \$7,171,982 (2016: \$12,461,140).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 9. Current assets - Trade and other receivables**

	2017	2016
	\$	\$
Trade debtors (a)	-	-
GST receivable (a)	9,714	10,457
Other receivables (a)	-	64,054
	<b>9,714</b>	<b>74,511</b>

(a) Terms of trade

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

	Total	61-90 Days PDNI*	61-90 Days CI*	+ 91 Days PDNI*	+ 91 Days CI*
<b>2017</b> Trade and other Receivables	<b>9,714</b>	<b>9,714</b>	-	-	-
2016 Trade and other Receivables	74,411	74,411	-	-	-

\*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 10. Financial assets**
**Current: Financial assets - Mortgage loans**

	2017	2016
	\$	\$
Opening carrying value	-	13,990,500
Receipts during period	-	(12,733,214)
Payments during period	3,250,000	286,042
Impairment gain/(loss) on mortgage loans	-	(1,543,328)
Balance at the end of the period	<b>3,250,000</b>	-

During the year a secured loan of \$3,250,000 was provided to John Sergeant. The loan was established to provide a commercial benefit to both parties, the Company is earning a higher interest than can be obtained on its bank savings and Mr Sergeant is saving interest. In addition, the loan terms include requirements to reduce the risks for the Company. The key terms of the loan are as follows:

- ] The funds are secured over John Sergeant holding of units in the managed investment fund known as Samuel Terry Absolute Return Fund.
- ] Mr Sergeant is required to hold these funds in a mortgage offset account that allows for instant access to the funds should the funds be required by Asset Resolution Limited.
- ] Interest is paid monthly and is charged at rate 3% per annum. Interest of \$30,185 has been paid in the year (2016: \$nil).
- ] Default interest is applied if any interest or repayment demand is not met, the rate is calculated based on the company's cost of borrowing the funds from a bank plus a margin of 3%.
- ] The loan is repayable within 3 business days.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 10. Financial assets (continued)**
*Prior year*

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 11. Current liabilities - Trade and other payables**

	2017	2016
	\$	\$
Trade payables	<b>9,753</b>	23,675

**(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.

**Note 12. Current liabilities - Accrued expenses**

	2017	2016
	\$	\$
Accrued expenses	<b>135,694</b>	44,235

**Note 13. Current liabilities - Employee benefits**

	2017	2016
	\$	\$
Superannuation and PAYG payable	-	4,681

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

**Note 14. Contributed equity**

	2017		2016	
Movement in ordinary shares	No.	\$	No.	\$
Balance at the beginning of the period	4,905,441	36,773,837	980,558,167	36,773,837
Unmarketable Parcel Buyback <sup>(1)</sup>	(619,139)	(1,312,574)	-	-
On-market Buyback <sup>(2)</sup>	(253,823)	(538,105)	-	-
Consolidation on basis of 1:200	-	-	(975,652,726)	-
Balance at the end of the period	<b>4,032,479</b>	<b>34,923,158</b>	4,905,441	36,773,837



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 14. Contributed equity (continued)**

- (1) On 13 February 2017 ARL completed an unmarketable parcel buyback at \$2.12 per share. ARL shareholders voted in favour of a resolution for an Unmarketable Parcel Buyback on 26 November 2016.
- (2) ARL shareholders also voted in favour of a On-market Buyback resolution to allow the Company to buy back Shares of up to 981,088 ordinary Shares on market over the 12 months following the 26 November 2016 Annual General Meeting. During the period to 30 June 2017, ARL have bought back 253,823 shares at \$2.12 per share.

**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.

**Note 15. Retained losses**

	2017 \$	2016 \$
Opening balance	(24,310,777)	(22,258,190)
Net (loss)/profit for the year	(326,132)	(2,052,587)
Deficit at the end of the year	(24,636,909)	(24,310,777)

**Note 16. Key management personnel disclosures**
**(a) Compensation of key management personnel**

	2017 \$	2016 \$
<b>Directors</b>		
Fees	95,662	212,642
Share-based payments <sup>(1)</sup>	100,000	-
Post-employment benefits	4,338	11,078
	200,000	223,720
<b>Executives</b>		
Fees <sup>(2)</sup>	81,948	94,263
<b>Total</b>	281,948	317,983

- <sup>(1)</sup> Directors are paid \$50,000 each in shares from 1 December 2016, as approved by shareholder at the 2016 Annual General Meeting. At the 30 June 2017, \$100,000 of share-based payment have been accrued at \$2.00 per share. 43,750 Shares will be issued in November 2017. The recently appointed director, Mr Holdway's 6,250 shares will be issued after the year end, subject to Shareholder approval at the November 2017 Annual General Meeting.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 16. Key management personnel disclosures (continued)**

<sup>(2)</sup> During the year:

- a. Company secretarial fees paid to Christina Sutherland amounted to \$nil (2016: \$9,000);
- b. Company secretarial fees paid to Victoria Allinson amounted to \$13,400 (2016: \$9,000);
- c. Accounting and administration services provided by Allinson Accounting Services Pty Ltd trading as My Virtual HQ amount to \$68,548 (2016: \$76,263), including \$12,187 (2016: \$14,705) of one-off fees in respect of the NSX listing.  
These services were previously provided by Castlereagh Capital Limited amount to \$nil (2016: \$138,359).

**Note 17. 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:

	<b>2017</b>	2016
	\$	\$
Audit services Grant Thornton	<b>26,950</b>	25,300
Taxation services Grant Thornton	<b>2,000</b>	-
Total services Grant Thornton	<b>28,950</b>	25,300
PKF Hacketts Audit	-	14,866
Taxation services PKF Hacketts Audit	-	1,302
Total	<b>28,950</b>	41,468

**Note 18. Earnings per share**

	<b>2017</b>	2016
	\$	\$
<b>(a) Basic earnings per share</b>		
(Loss)/profit attributable to the ordinary equity holders of the Company	<b>(326,132)</b>	(2,052,587)
<b>(b) Diluted earnings per share</b>		
(Loss)/profit attributable to the ordinary equity holders of the Company	<b>(326,132)</b>	(2,052,587)
<b>(c) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	<b>4,566,315</b>	4,905,441

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**
**Note 19. Related party transactions**
**Key management personnel**

Details relating to key management personnel, are included in Note 16.

**Loans to related parties**

	2017 \$	2016 \$
Loans to key management personnel		
Opening balance at the start of the year	-	-
Loan advance	3,250,000	-
Loan repayments	-	-
Interest charged	30,185	-
Interest received	(30,185)	-
Closing at the end of the year	3,250,000	-

During the year a secured loan of \$3,250,000 was provided to John Sergeant. The loan was established to provide a commercial benefit to both parties, the Company is earning a higher interest than can be obtained on its bank savings and Mr Sergeant is saving interest. In addition, the loan terms include requirements to reduce the risks for the Company. The key terms of the loan are as follows:

- ) The funds are secured over John Sergeant holding of units in the managed investment fund known as Samuel Terry Absolute Return Fund.
- ) Mr Sergeant is required to hold these funds in a mortgage offset account that allows for instant access to the funds should the funds be required by Asset Resolution Limited.
- ) Interest is paid monthly and is charged at rate 3% per annum. Interest of \$30,185 has been paid in the year (2016: \$nil).
- ) Default interest is applied if any interest or repayment demand is not met, the rate is calculated based on the company's cost of borrowing the funds from a bank plus a margin of 3%.
- ) The loan is repayable within 3 business days.

**Note 20. Reconciliation of statement of cash flows**

	2017 \$	2016 \$
Net (loss)/profit after tax	(326,132)	(2,052,587)
<i>Non-cash items in profit:</i>		
- mortgage loan impairment (gain)/loss	-	1,543,328
<i>Non-operating items in profit:</i>		
- realisation of sale of shares	(29,632)	-
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	64,797	226,305
Increase/(decrease) in payables and accruals	72,856	(405,050)
Increase/(decrease) in deferred tax liabilities	-	(490,351)
Net cash inflow/(outflow) from operating activities	(218,111)	(1,178,355)

## ASSET RESOLUTION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### **Note 21. Events after balance date**

There are no other matter or circumstance has arisen since 30 June 2017 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 22. Commitments and contingent liabilities**

The Company did not have any material commitments or contingent liabilities at 30 June 2017 or 30 June 2016.

#### **Note 23. 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.

In addition, a recent judgement of the Queensland Supreme Court (refer to media release dated 26 May 2017, <http://asic.gov.au/about-asic/media-centre/>), in which certain officers of MFS were ordered to pay financial compensation to the former MFS Premium Income Fund (PIF). Some of the former assets of PIF were transferred to ARL and this may or may not extend to any compensation recovered from the former MFS officers. Given that ARL shareholders' claim on any compensation is uncertain, and it is equally uncertain whether the former MFS officers in fact have any remaining assets from which to pay compensation, ARL does not believe that the recent judgment is material to the 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 the reasons set out above, 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.

ARL also hold 1,334,840 shares in ASX listed Raptis Group Limited. During the year 460,000 shares were sold for \$29,720. There have been no recent offers above 2.2 cents and the liquidity is low, therefore ARL does not believe it can sell all of its Raptis Group Limited at present and have valued the shares at \$nil (2016 \$nil).

**ASSET RESOLUTION LIMITED****DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2017**

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 2017 are in accordance with the Corporations Act 2001, including:
    - Giving a true and fair view of its financial position as at 30 June 2017 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 2017.

On behalf of the Board

Chairman



**Mr Giles Craig**  
**Chairman**

Sydney,

Dated this 8th day of August 2017

Level 17, 383 Kent Street  
Sydney NSW 2000

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W [www.grantthornton.com.au](http://www.grantthornton.com.au)

8 August 2017

Dear

## Independent Auditor's Report to the Members of Asset Resolution Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Asset Resolution Limited (the Company), which comprises the statement of financial position as at 30 June 2017, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Asset Resolution Limited, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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## Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
<b>Related party transaction Note 19</b>  In March 2017 Asset Resolution Limited entered into a loan agreement with John and Jennifer Sergeant. The total loan sum of the loan as at 30 June 2017 was \$3,250,000. The primary interest rate is the CBA overdraft reference, plus a margin of 3.00% per annum with the lower interest rate of 3.00% per annum.  Due to the nature of the transaction, this related party transaction was determined to be a key audit matter due to the judgement by Directors on whether this transaction required shareholder approval.	Our procedures included, amongst others: <ul style="list-style-type: none"> <li>- Review of the terms of the loan agreement;</li> <li>- Discussion with management and the directors in relation to the nature of the transaction and their rationale for entering into the transaction;</li> <li>- Review of legal advice in relation to considerations of the Corporations Act 2001;</li> <li>- Discussion with managements legal advisers in relation to the advice provided; and</li> <li>- Review of the appropriateness of the related disclosures in the financial report for adherence to AASB 124.</li> </ul>

## Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors' 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 preparing the financial report, the Directors are responsible for assessing the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_files/ar1.pdf](http://www.auasb.gov.au/auditors_files/ar1.pdf) . This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Asset Resolution Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.



Yours sincerely  
GRANT THORNTON AUDIT PTY LTD



Grant Layland  
Director - Audit & Assurance



**ASSET RESOLUTION LIMITED**
**INVESTORS' SUPPLEMENTARY INFORMATION  
AS AT 4 AUGUST 2017**

The information contained below is to be read in conjunction with the annual report of Asset Resolution Ltd dated 30 June 2017.

**Details of top 20 shareholders**

The following is a list of the top 20 shareholders of the Company:

<b>Rank</b>	<b>Name</b>	<b>No. of Shares</b>	<b>%</b>
1	WO NOMINEES A/C FUND PTY LTD <SAMUEL TERRY ABSOLUTE RETURN>	515,000	12.77%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	389,957	9.67%
3	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	129,503	3.21%
4	WO NOMINEES A/C FUND PTY LTD <SAMUEL TERRY ABSOLUTE RETURN>	121,935	3.02%
5	MR PETER SCARF & MRS IDA SCARF	91,863	2.28%
6	ASGARD CAPITAL MANAGEMENT LIMITED	44,177	1.10%
7	DR T HANSEN & MS Z GREENWOOD	42,978	1.07%
8	SARA LINDEN <KAZOKU TRUST>	40,000	0.99%
9	MR TIMOTHY EDWARD HOBILL COLE & MRS FIONA CAROLINE HOBILL COLE <VAMEKE SUPER FUND A/C>	31,400	0.78%
10	HARLEY N PTY LIMITED <HARLEY SUPER FUND ACCOUNT>	31,250	0.77%
11	MR NIGEL BURGESS	30,000	0.74%
11	BT PORTFOLIO SERVICES LIMITED	28,089	0.70%
12	MR ADRIAN WESLEY LEPPINUS MRS VANESSA LEPPINUS <THE LEPPINUS SUPER FUND A/C>	20,127	0.50%
13	PHALAENOPSIS PTY LTD	20,000	0.50%
14	NORTH SHORE CUSTODIANS PTY LTD	20,000	0.50%
15	MR CHRISTOPHER JOHN MCDERMOTT & MRS BEVERLEY JUNE MCDERMOTT <C MCDERMOTT AGENCIES S/F A/C>	18,750	0.46%
16	MERCEDES HOLDINGS PTY LTD	18,158	0.45%
17	MRS VANESSA LEPPINUS	15,000	0.37%
18	MAX INVESTMENTS (AUST) PTY LTD	12,960	0.32%
19	IOOF INVESTMENT MANAGEMENT LTD <IOOF PORTFOLIO SERVICE A/C>	12,617	0.31%
20	GROSS S & T PTY LTD <S & T GROSS SUPERANNUATION FUND A/C>	12,500	0.31%
<b>Total</b>		<b>1,646,264</b>	<b>40.83%</b>
<b>Balance of register</b>		<b>2,386,215</b>	<b>59.17%</b>
<b>Grand total</b>		<b>4,032,479</b>	<b>100.00%</b>

## ASSET RESOLUTION LIMITED

### INVESTORS' SUPPLEMENTARY INFORMATION (CONTINUED)

#### Details of substantial shareholders

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

Name of substantial shareholder	Registered holder of the shares	Number of shares held	% of total shares	Associate of substantial shareholder
Samuel Terry Asset Management Pty Ltd	JP Morgan Nominees Australia Limited	636,935	15.80%	Mr F Woollard,
	J P Morgan Australia Ltd	389,957	9.67%	Mr N Burgess
	Mr Frederick Woollard and Mrs Therese Cochrane <Woollard Super Fund>	185	0.005%	Mr F Woollard
	Mr Nigel Burgess	30,944	0.77%	Mr N Burgess
	Sarah Liden <Kazudo Trust>	40,000	0.99%	Mr N Burgess
		<u>1,098,021</u>	<u>27.23%</u>	

#### Distribution of shareholder numbers

Number of shares held	Number of shareholders
1 – 1,000	3,303
1,001, - 5,000	461
5,001 – 10,000	28
10,001 – 100,000	19
More than 100,001	4
	<u>3,815</u>

#### Number of shareholders with less than a marketable parcel of securities

As at 4 August 2017, there were a total of 412 shareholders with less than a marketable parcel of securities held in Asset Resolution Ltd.

#### Unlisted options

There are no unlisted options.

#### Types of securities and voting rights

There is one class of ordinary shares. Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

#### Number and class of shares held in escrow

There are 1,034,786 ordinary shares held in escrow, release date 28 November 2018.

#### On-Market Buy Backs

The Shareholders approved two buy backs at the 26 November 2017 Annual General Meeting:

1. On-market buy-back of between 470,544 and up to 981,088 fully paid ordinary Shares in the Company (representing approximately 10% to 20% of the Company's issued Shares as at 17 October 2016) in the 12 month period following Shareholder approval. At the date of this report 253,823 Shares have been bought back. The buy-back will re-commence following the release of this Annual Report.
2. Off-market acquisition of between 470,544 and up to 981,088 fully paid ordinary Shares in the Company (being approximately 10% to 20% of the Company's issued Shares as at 17 October 2016) at a price to be calculated at a premium of 7.5% to the 30 day volume weighted average practice (VWAP) per Share in the 12 month period following Shareholder approval. The off-market buy-back has not commenced at the date of this report.

#### Securities Exchange

The Company is listed on the National Stock Exchange of Australian.