ASSET RESOLUTION LIMITED
ABN 99 159 827 871

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016

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

CORPORATE DIRECTORY

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

Company Secretary
Victoria Marie Allinson

Registered Office and Principal Place of Business
79 Angas Street
Adelaide
South Australia 5000
Telephone: (08) 8423 0170
Facsimile: (08) 8223 1685

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

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

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

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

Website
www.arlimited.com.au

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

TABLE OF CONTENTS

DIRECTORS' REPORT 4

- Directors 4
- Chief Financial Officer and Company Secretary 7
- Dividends 7
- Principal activities 7
- Capital reduction 7
- Corporate information 7
- Operating and financial review 8
- Significant changes in state of affairs 9
- Significant events after balance date 9
- Likely developments 9
- Diversity Report 9
- Environmental regulation and performance 12
- Indemnification and insurance of officers 12
- Proceedings on behalf of the Company 12
- Directors' meetings 12
- Auditor independence and non-audit services 13
- Remuneration report (audited) 13
- Shares options 18
- Auditor's declaration 18

AUDITOR'S INDEPENDENCE DECLARATION 19

CORPORATE GOVERANCE STATEMENT 20

FINANCIAL REPORT CONTENTS 21

DIRECTORS' DECLARATION 47

INDEPENDENT AUDITORS REPORT 48

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

Directors

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

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

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

Information on Directors

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

Board member since September 2015.

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

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

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

Directors (continued)

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

Board member since September 2015.

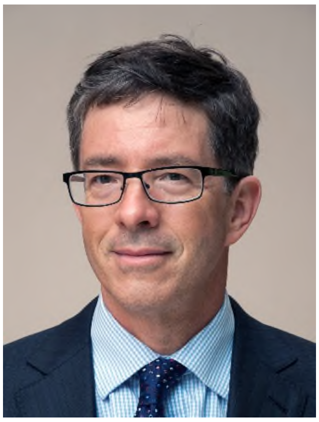
Mr Sergeant is a private investor and business consultant. He holds degrees in Biological Sciences and Psychology from the University of Sydney, where he was a lecturer in the Business School, teaching at the postgraduate level.

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

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

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

Frederick Woollard BEc, GAICD
Non-Executive Director



Board member since September 2015.

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

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

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

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

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

Directors (continued)

Interest in ordinary post-consolidated shares

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

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

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

(1) Giles Craig was appointed as a Director on 11 September 2015, he holds 329,129 post consolidated shares:

- 309,129 are held in Hamilton Securities Limited in which he is a director and shareholder; and
- 20,000 shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. These shares were acquired since the period ended at $2 per share.

(2) John Sergeant was appointed as a Director on 11 September 2015, he holds 22,150 post consolidated shares. 20,000 shares are held in Phalaenopsis Pty Ltd AF Sergeant Family Trust, of which he has effective control; and 2,150 are held directly. These shares were acquired in the period at $2 per share.

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

(3) Frederick Woollard was appointed as a Director on 11 September 2015, he holds 1,214,271 post consolidated shares:

- 309,129 are held in Hamilton Securities Limited in which he is a director and shareholder;
- 904,957 held by Samuel Terry Asset Management Pty Ltd as trustee for the Samuel Terry Absolute Return Fund ("STAR") of which he is a shareholder and beneficiary; and
- 185 shares are held in Woollard Super Fund of which he is a beneficiary.

Interest in Options
There are no options on issue.

Chief Financial Officer and Company Secretary

Victoria Marie Allinson FCCA, AGIA
Company Secretary

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

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

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

Dividends

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

Principal activities

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

Capital reduction

In the current your there has been no capital reductions.

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

Corporate information

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

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

(together the "Objectives").

Corporate information (continued)

- On 23 October 2015, ARL issued a notice of annual general meeting, whereby the newly formed Board of ARL commenced implementing its Objectives, including:
  a. the re-election on rotation of Mr John Sergeant;
  b. changing the auditor;
  c. share consolidation;
  d. adoption of a new Constitution; and
  e. approval of an on-market buy-back of Shares,

  with the goal of working towards Listing on the ASX or an alternative exchange.
- On 25 November 2015, ARL held its annual general meeting, where each of the resolutions passed to implement the new Objectives of ARL. The Board and its advisors engaged with the strong showing of Shareholders at the AGM affording them with opportunities to ask questions on ARL's Objectives.

Operating and financial review

Review of current period operations

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

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

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

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

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

ARL currently manages the following portfolio:

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

Operating and financial (continued)

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

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

b) Other corporate assets:

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

Significant changes in state of affairs

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

Significant events after balance date

There are no matters or circumstances has arisen since 30 June 2016 to the date of this report which has significantly affected or may affect:

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

Likely developments

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

Diversity Report

Introduction

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

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

Diversity Report (continued)

Diversity Policy

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

Responsibility

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

Current Position

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

Diversity Strategy

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

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

Table 1

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

Diversity Report (continued)

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

Notes:

- The size and nature of the Company limits the number of initiatives and programs that are viable, this will be reviewed as the Company changes.

- It should be noted that the ASX recognises that there is an historical "skewed' pipeline of qualified and experienced personnel in the market and accordingly the gender diversity targets must be regarded as "soft" and subject to the overriding caveat stated at Item 8 in the Diversity Policy. The gender diversity targets are detailed at Item 2(c) of the Diversity Strategy.

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

Board Skills

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

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

Diversity Report (continued)

Diversity at Board Level and Generally

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

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

Compliance

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

Environmental regulation and performance

The Company is not subject to environmental regulation.

Indemnification and insurance of officers

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

Proceedings on behalf of the Company

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

Directors' meetings

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

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

Committee membership

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

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

Auditor independence and non-audit services

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

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

Non-Audit Services

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

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

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

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

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

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

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

Remuneration report (audited)

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

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

Key management personnel

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

Remuneration report (audited) (continued)

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

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

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

Remuneration committee

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

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

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

Remuneration philosophy and structure

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

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

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

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

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

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

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

Remuneration report (audited) (continued)

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

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

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

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

Remuneration of Key Management Personnel

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

Remuneration report (audited) (continued)

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

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

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

Related party transactions

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

There are no other related party transactions.

Option holdings of Key Management Personnel

There are no option holdings for the Company.

Remuneration report (audited) (continued)

Shareholdings of key management personnel (KMP)

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

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

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

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

(2) John Sergeant was appointed as a Director on 11 September 2015, he holds 22,150 post consolidated shares. 20,000 shares are held in Phalaenopsis Pty Ltd AF Sergeant Family Trust, of which he has effective control; and 2,150 are held directly. These shares were all acquired during the year at $2 per share.

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

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

(4) Victoria Allinson acquired 324 shares during the year, the shares are held Eagle HQ Pty Ltd ATF Allinson Family Trust in which she is a director and shareholder.

End of Remuneration Report

Shares options

There are no shares under option.

Auditor's declaration

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

Signed in accordance with a resolution of the directors:

Giles C Craig

Giles Craig (Chairman)

Sydney, 24 August 2016

Level 17, 383 Kent Street
Sydney NSW 2000

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

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

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

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

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G S Layland
Director - Audit & Assurance

Sydney, 24 August 2016

CORPORATE GOVERANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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 2016

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

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

Note 1. Corporate information

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

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

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

Note 2. Basis of preparation and accounting policies

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

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

(a) Basis of preparation

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

(b) Compliance with IFRS

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

(c) New accounting standards and interpretations

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

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

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

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

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

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

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

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

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

New / revised pronouncement	Superseded pronouncement	Nature of change	Likely impact on initial application
AASB 16 *Leases*	AASB 117 *Leases* Int. 4 *Determining whether an Arrangement contains a Lease* Int. 115 *Operating Leases—Lease Incentives* Int. 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	AASB 16: • replaces AASB 117 *Leases* and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 • requires new and different disclosures about leases	The entity currently has no leases and is not expected to have any impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

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

(d) Segment reporting

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

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

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

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

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

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

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

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(f) Trade and other receivables

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

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

(g) Investments and other financial assets

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

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

Recognition and Derecognition

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

(i) Loans and receivables

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

(ii) Available-for-sale investments

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

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

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

(h) Impairment of assets

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

(i) Trade and other payables

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

(j) Provisions and employee leave benefits

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

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

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

Employee Leave Benefits

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

(k) Contributed equity

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

(l) Revenue recognition

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

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

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

Revenue is recognised for the major business activities as follows:

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

(i) Realised gains and losses on sale of assets

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

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

(ii) Interest income

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

(m) Income tax

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that: (a) it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised (b) the Company continues to comply with the conditions of deductibility imposed by tax legislation and (c) no changes in tax legislation adversely affect the Company in realising the benefits from the deductions for the losses.

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

(n) Goods and Services Tax (GST)

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

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

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

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

(o) Financial instruments

Recognition, Initial Measurement and Derecognition

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

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

Classification and Subsequent Measurement of Financial Assets

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

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

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

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

Loans and Receivables

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

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

Financial Assets at FVTPL

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

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

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

HTM Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. The Company currently does hold not 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 loss and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities

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

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

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

(p) Significant accounting judgement, estimates and assumptions

Significant accounting estimates

The primary assets of the Company are loans made to borrowers. Security for the loans include registered mortgages over real property, mortgages over other Company assets and directors' guarantees. Where a borrower has defaulted, steps have been taken to secure the underlying security and become mortgagee in possession.

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

For impairment considerations, the net realisable value of the mortgage loan has been determined by assessing the market value of the underlying security attached to the mortgage loan. The market value of the underlying security has been assessed with reference to contracts of sale and independent valuations and assessments of the properties in comparison to similar properties. Contracts for sale provide the best evidence of a market value. For those properties that have not been sold, formal external valuations provide the next best comparison.

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

Judgements: contingent asset

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

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

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

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

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

(q) Earnings per share

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

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

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

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

(r) Comparative figures

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

Note 3. Financial risk management objectives and policies

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

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

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

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

Categories of Financial Assets and Liabilities

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

Year ended 30 June 2016

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

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

Year ended 30 June 2015

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

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

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

* Carried at fair value
\# Carried at amortised cost

Risk Exposures and Responses

Interest Rate Risk

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

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

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

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

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

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

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

Refer to Note 10 for ageing analysis of receivables.

Liquidity risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 4. Fair value measurement of non-financial instruments

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

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

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

Mortgage Loan Assets classified has held for sale (Level 3)
In the prior year, a mortgage loan was held over a group of companies known as the forest resort, a contract for the sale of Forest Resort was executed on 24 July 2015, the sale was completed on 5 November 2015. The total contract amount for Forest Resort is $14,973,000 (excluding GST and settlement and inventory adjustments). The contract resulted in cash inflow in respect of ARL's mortgage loan of $12,733,214 following selling fees $736,203, legal fees of $285,345, Castlereagh Capital Ltd fees $298,598 and other expenses of $919,640. The Forest Resort mortgage loan has an opening carry value of $13,900,500 as at 30 June 2015, resulting in an impairment of $1,467,974 during the current year.

Note 5. Segment reporting

Year ended 30 June 2016 and 30 June 2015
The Company has operations in one business segment, distressed asset management.

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

All operations are conducted in Australia.

Note 6. Other expenses

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

Note 7. Impairment loss/(gains)

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

Impairment loss on mortgage loans

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

Impairment loss on other receivables

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

Note 8. Income tax expense

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

Note 8. Income tax expense (continued)

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

Note 9. Cash and cash equivalent

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

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

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

Note 10. Current assets - Trade and other receivables

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

(a) Terms of trade
Trade debtors, GST and other receivable are non-interest bearing and generally on 30-day terms.

(b) Overpayment in respect of capital reduction
The overpayment of $980,000 to Link Register Services Ltd was refunded in the year ended 30 June 2016, refer to Statement of Cash Flows for further details.

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

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

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

*CI – Considered impaired

Note 11. Financial assets

Current: Financial assets - Mortgage loans

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

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

Note 12. Current liabilities - Trade and other payables

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

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

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

Note 13. Current liabilities - Accrued expenses

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

Note 14. Current liabilities - Employee benefits

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

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

Note 15. Contributed equity

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

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

Capital Management

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

The Company's debt and capital includes ordinary share capital and operating liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks in the market. These responses include the management of debt levels, distribution to shareholders and share issues.

Note 16. Retained losses

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

Note 17. Key management personnel disclosures

(a) Compensation of key management personnel

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

(1) During the year:

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

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

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

Note 18. Remuneration of auditors

The auditor of the Company is Grant Thornton.

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

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

Note 19. Share capital reduction

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

Note 20. Earnings per share

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

Note 21. Related party transactions

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

Transactions with related parties
There were no related party transactions during the year.

Note 22. Reconciliation of statement of cash flows

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

Note 23. Events after balance date

There are no other matter or circumstance has arisen since 30 June 2016 to the date of this report which has significantly affected or may affect:

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

Note 24. Commitments and contingent liabilities

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

Note 25. Contingent asset

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

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2016

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

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

On behalf of the Board

Chairman

Giles C Craig

Mr Giles Craig
Chairman

Sydney,
Dated this 24th day of August 2016

Level 17, 383 Kent Street
Sydney NSW 2000

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

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

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

Auditor's opinion
In our opinion:

a the financial report of Asset Resolution Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report
We have audited the remuneration report included in pages 16 to 19 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report
In our opinion, the remuneration report of Asset Resolution Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G S Layland
Director - Audit & Assurance

Sydney, 24 August 2016