



ASSET RESOLUTION LIMITED
ABN 99 159 827 871

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2018

**ASSET RESOLUTION LIMITED
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

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**ASSET RESOLUTION LIMITED
DIRECTORS' REPORT CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**



The Directors present their report together with the interim financial report of Asset Resolution Limited (“Company”), for the half year ended 31 December 2018.

Directors

The names of the company’s directors in office during the half-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	24 October 2018	-
Graham Holdaway	Independent Non-Executive	1 April 2017	18 October 2017	-
Sarina Roppolo	Independent Non-Executive	28 February 2018	24 October 2018	-

Giles Craig is not deemed independent due to his substantial interest in the Company.

Information on Directors

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

Appointed 11 September 2015.

Mr Craig is an Executive Director of Dawney & Co Pty Ltd (previously Hamilton Securities Limited), an previously 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.

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

Board member since 1 April 2017.

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

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

**Ms Sarina Roppolo LLB
Independent Non-Executive Director**

Board member since 28 February 2018.

Ms Roppolo is a dispute resolution and insolvency Partner at Kardos Scalan. In her practice, Ms Roppolo primarily advises and acts for two of Australia’s major banks in addition to a multinational financial institution and a variety of public and private companies in a wide range of contentious matters with a specialisation in insolvency.

She spent a number of years working in house at a major Australian Bank as a senior corporate lawyer specialising in solutions for the insolvency of that bank’s institutional and corporate divisions customers.

Ms Roppolo has been noted as a leading lawyer in insolvency in The Legal 500 Asia Pacific for the years 2016, 2017 & 2018.

Information on Company Secretary

Victoria Allinson FCCA, AGIA Company Secretary

Ms Allinson was appointed as company secretary on 1 October 2015.

She 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 company secretary and CFO positions in a number of listed companies, and audit manager for Deloitte Touche Tohmatsu.

Ms Allinson is currently Company Secretary and Chief Financial Officer (CFO) for ASX Listed company Kangaroo Island Plantation Timbers Ltd (KPT) and CFO for a number of other entities.

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	Opening interest at 1 July 2018	Net changes during the period	Granted as remuneration	Closing interest at 31 December 2018 & date of this report
Giles Craig	61,698	-	23,474	85,172
Graham Holdaway	22,766	-	23,474	46,240
Sarina Roppolo	-	-	17,606	17,606
Total Directors	84,464	-	64,554	149,018

At 31 December 2018 and at the date of this report:

1. Giles Craig holds 85,172 shares:
 - o 76,183 shares are held in North Shore Custodians ATF The Craig Family Trust, of which he is a beneficiary. 23,474 shares were issued during the period at \$2.13 per share in lieu of director's fees. During the period 7,709 of these shares were released from escrow; and
 - o 8,989 shares are held by Giles and Vicki Craig ATF the Craig Family Superannuation Fund of which Mr Craig has effective control.
2. Graham Holdaway holds 46,240 shares:
 - o 40,141 shares are held by Holdaway & Holdaway Pty Ltd, of which he has effective control. 23,474 shares were issued during the period at \$2.13 per share in lieu of director's fees.
 - o 6,099 shares are held by Graham and Kristina Holdaway ATF the G&K Superfund, of which he has effective control.
3. Sarina Roppolo holds 17,606 shares:
 - o 17,606 shares are held by Abril Holdings Pty Ltd, of which she has effective control. 17,606 shares were issued during the period at \$2.13 per share in lieu of director's fees.

Interest in Options

There are no options on issue.

**ASSET RESOLUTION LIMITED
DIRECTORS' REPORT CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**



Review of Operations

Review of current period operations

During the period the Company's losses amounted to \$196,011 (December 2017 profits: \$1,355,946). The \$1,551,957 decrease is primarily due to the \$90,321 of investment losses and nil gain of proof of debt from Octaviar Ltd (in the prior period \$1,467,197 gain of proof of debt from Octaviar Ltd).

In prior years, the liquidators of Octaviar Ltd had advised the Company that \$205,694,371 of the proof of debt claim had been allowed. To date, the Company received \$2,014,941 in respect of that debt claim. Due to the uncertainty around the amount and timing of future payment, the Company continues to show the Octaviar debts receivable at zero value in ARL's balance sheet.

The expenses of ARL have been reduced, resulting in a \$20,728 decrease compared to the prior period; primary due to:

-) Legal fees decreased by \$23,604 to \$900 for the period (December 2017: \$24,504); offset by
-) NSX listing fees on the release of escrowed shares \$8,086 (December 2017: \$nil).

At the Annual General Meeting held on 24 October 2018, the following resolutions were approved by the shareholders:

-) Mr Giles Craig was re-elected as a director of the Company;
-) Ms Sarina Roppolo was elected as a new director of the Company;
-) on-market buy-back of up to 632,571 fully paid ordinary shares in the Company (representing approximately 20% of the Company's issued shares as at 5 September 2018) in the 12 month period to 23 October 2019;
-) special resolution to issue shares to directors in lieu of their 2019 directors' fees (board total fees: \$150,000 per annum) at \$3.015 per share under the Non-Executive Share Plan.

Net Tangible Asset Per Share:

	Half-year ended 31 Dec 2018 \$	Year ended 30 Jun 2018 \$	Year ended 30 Jun 2017 \$
Net Assets			
Cash and receivables	6,293,870	6,942,866	7,181,696
Financial assets – mortgage loan	3,250,000	2,750,000	3,250,000
Total liabilities - current	(52,697)	(155,682)	(145,447)
Net Assets	9,491,173	9,537,184	10,286,249
Number of Shares on issue	3,233,277	3,162,855	4,032,479
Net tangible assets per share in \$:	2.94	3.01	2.55
Net tangible assets per share in cents:	294	301	255

History of ARL and assignment of assets from the PIF

ARL was a special-purpose entity established specifically to hold mortgage loans, underlying security, interest in and benefits from claims assigned from Perpetual Nominees Limited ("PNL") as Custodian of the Premium Income Fund ARSN 090 687 577 ("PIF").

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

On 4 September 2012, \$50,465,000 of assets and certain associated liabilities were assigned to ARL from PNL as Custodian of the PIF. In consideration for the assignment of the above noted assets and associated liabilities, ARL issued 830,532,768 shares to PIF who then made an *in specie* distribution of the ARL shares to PIF unit holders.

**ASSET RESOLUTION LIMITED
DIRECTORS' REPORT CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**



On 18 December 2012, PIF through PNL, assigned to ARL the remaining 40% debt and charges over six companies of \$4,490,000 referred to as The Forest Resort companies (these assigned assets form part of the reference to the "Assets"). In consideration for these assigned assets, ARL issued a further 150,025,399 shares to PNL as Custodian of PIF.

As at 31 December 2018, all assets except for the interest in the benefit of the Proof of Debt in Octaviar Limited and Octaviar Administration Pty Ltd ("Octaviar Debt"), have been realised or impaired. The Octaviar Debt is shown with a fair value of \$nil (prior period \$nil). Refer to Note 11 for further details.

Events subsequent to balance date

There are no matters or circumstances that have arisen since 31 December 2018 to the date of this report which have significantly affected or may affect:

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

Auditor's Declaration

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

Signed in accordance with a resolution of the directors:

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

**Mr Giles Craig
Chairman**

Sydney, 13 February 2019

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 review of Asset Resolution Limited for the half-year ended 31 December 2018, 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 review;
and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



G S Layland
Director – Audit & Assurance

Sydney, 13 February 2019

**ASSET RESOLUTION LIMITED
INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards AASB 134 Interim Reporting, the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that Asset Resolution Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



**Mr Giles Craig
Chairman**

Sydney, 13 February 2019

ASSET RESOLUTION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018



	Note	Half year ended 31 December 2018 \$	Half year ended 31 December 2017 \$
Revenue from continuing operations			
Interest income	2	83,179	87,295
Gain on realisation of proof of debt	2	-	1,467,197
Total revenue and investment income		83,179	1,554,492
Fair value (loss)/gain on equity investments at fair value through profit and losses	2	(90,037)	11,335
Expenses			
Administrative expenses		6,385	5,682
Other expenses	2	181,795	202,256
Finance expenses		116	166
Other		857	1,777
Total expenses		189,153	209,881
(Loss) / Profit before income tax		(196,011)	1,355,946
Income tax benefit / (expense)		-	-
(Loss) / Profit for the period		(196,011)	1,355,946
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Other comprehensive income, net of income tax		-	-
Total comprehensive income, net of income tax		(196,011)	1,355,946
(Loss) / Profit attributable to members		(196,011)	1,355,946
Total comprehensive (loss) / income attributable to members		(196,011)	1,355,946
Earnings per share			
Basic profit / (loss) per share (cents)	3	(6.1)	33.6
Diluted profit / (loss) per share (cents)	3	(6.1)	33.6

These financial statements should be read in conjunction with the accompanying notes.

ASSET RESOLUTION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018



	Note	As at 31 December 2018 \$	As at 30 June 2018 \$
Assets			
<i>Current assets</i>			
Cash and cash equivalents	5	6,267,225	6,920,033
Trade and other receivables		19,108	22,833
Other financial assets	6	3,250,000	2,750,000
Equity accounted investments	7	7,537	-
Total current assets		9,543,870	9,692,866
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		7,605	61,119
Accrued expenses		45,092	94,563
Total current liabilities		52,697	155,682
Total non-current liabilities		-	-
Net assets		9,491,173	9,537,184
Equity			
Contributed equity	8	32,535,316	32,385,316
Retained losses		(23,044,143)	(22,848,132)
Total equity		9,491,173	9,537,184

These financial statements should be read in conjunction with the accompanying notes.

ASSET RESOLUTION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018



	Note	Issued Capital \$	Retained earnings \$	Total \$
Balance as at 1 July 2017		34,923,158	(24,636,909)	10,286,249
Loss for the period		-	1,355,946	1,355,946
Other comprehensive income		-	-	-
Total comprehensive income		-	1,355,946	1,355,946
Transaction with owners:				
Issue of shares	8	(108,035)		(108,035)
Buyback of shares	8	162,502	-	162,502
Sub total		54,467	-	54,467
Balance at 31 December 2017		34,977,625	(23,280,963)	11,696,662
Balance as at 1 July 2018		32,385,316	(22,848,132)	9,537,184
Profit/(loss) for the period		-	(196,011)	(196,011)
Other comprehensive income		-	-	-
Total comprehensive income		-	(196,011)	(196,011)
Transaction with owners:				
Issue of shares	8	150,000		150,000
Sub total		150,000	-	150,000
Balance at 31 December 2018		32,535,316	(23,044,143)	9,491,173

These financial statements should be read in conjunction with the accompanying notes.

**ASSET RESOLUTION LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**



	Note	Half year ended 31 December 2018 \$	Half year ended 31 December 2017 \$
Cash flow from operating activities			
Interest received		83,179	87,295
Payments to suppliers		(138,129)	(153,888)
		<hr/>	<hr/>
Net cash provided used in operating activities		(54,950)	(66,593)
Cash flow from investing activities			
Mortgage loan asset repayments/(advances)		(500,000)	-
Purchase of equity accounted investments		(97,858)	-
Net proceeds from proof of debt		-	1,467,197
Net proceeds from sale of equity accounted investments		-	11,273
		<hr/>	<hr/>
Net cash provided by investing activities		(597,858)	1,478,470
Cash flow from financing activities			
Buyback of shares		-	(108,629)
		<hr/>	<hr/>
Net cash provided (used in) financing activities		-	(108,629)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		(652,808)	1,303,248
Cash and cash equivalents at beginning of the period		6,920,033	7,171,982
		<hr/>	<hr/>
Cash and cash equivalents at end of the period	5	6,267,225	8,475,230
		<hr/> <hr/>	<hr/> <hr/>

These financial statements should be read in conjunction with the accompanying notes.

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

The financial report of Asset Resolution Limited (“the Company”) for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 13 February 2019. Asset Resolution Limited is a company incorporated and domiciled in Australia and limited by shares.

This general purpose financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all full note disclosure of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of the following standards:

New and revised standards

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policy as a result of adopting *AASB 9 Financial Instruments*.

The impact of the adoption of these standards and the new accounting policies and new accounting policy is disclosed below. The other standards did not have an impact on the Company’s accounting policies and did not require retrospective adjustments.

- (i) Investments and other financial assets

Classification

From 1 July 2018, the Company classified its financial assets in the following measurement categories:

-) Those to be measured subsequently at fair value (through OCI, or through profit and loss); and
-) Those to be measured at amortised cost.

The classification depends on the Company’s business model for managing the financial asset and the contractual terms of the cashflows.

For assets measured at fair value, gains and losses will either be recorded in profit and loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election on the initial recognition to account for the equity instrument through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried forward at FVPL are expensed in the profit and loss.

Financial Assets with embedded derivatives are considered in their entirety when determining whether their cashflows are solely payments of principal and interest.

ASSET RESOLUTION LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2018



Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cashflow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

-) Amortised costs: Assets that are held for collection of contractual cashflows where those cashflows represent solely payments of principal and interest at amortised cost. Interest income from these financial assets is included in financial income using the effective interest rate method. Any gain or loss arising on the derecognition is recognised directly in the profit and loss and presented in other gains/(losses), together with foreign exchange gain losses, where applicable. Impairment losses are presented as separate line items in the statement of profit or loss.
-) FVOCI: Assets that are held for collection of cashflows and for selling the financial assets, where the asset's cashflows represent solely payment of principal and interest, are measured at FVOCI. Movement in the carrying amounts are taken through the OCI, except for recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gains and losses previously recognised in OCI are reclassified from equity to profit and loss and recognised in other gains/(losses). Interest income for these financial assets is included in financial income using the effective interest rate method. Foreign exchange gains and losses, if applicable, are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit and loss.
-) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

From 1 July 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments, carried at amortised cost and FVOCI. The impairment methodology is applied based on whether there has been a significant credit risk.

For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Fair value

The fair value of the Company's financial assets and financial liabilities approximate their carrying value. Where the Company has readily traded financial assets and financial liabilities they are valued at their current traded value.

NOTE 2: OTHER INCOME AND EXPENSES

	31 December 2018	31 December 2017
	\$	\$
Revenue		
Bank interest	35,384	40,281
Mortgage loan interest (Note 6)	47,795	47,014
Interest income	83,179	87,295
Gain on realisation of proof of debt ⁽¹⁾	-	1,467,197
Total	83,179	1,554,492

ASSET RESOLUTION LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2018



	31 December 2018	31 December 2017
	\$	\$
Fair value (loss)/gain on equity investments at fair value through profit and losses⁽²⁾		
Fair value (loss)/gain on readily marketable options	(90,321)	-
Fair value (loss)/gain on readily marketable shares	284	11,335
	<u>(90,037)</u>	<u>11,335</u>
Other Expenses		
Directors' fees (Note 14)	75,000	75,000
Company secretarial fees (Note 14)	7,200	7,200
Auditor fee	16,330	18,327
Legal fees	900	24,504
Consulting fees	25,000	25,000
Registry fees	14,525	13,996
NOMAD fees	6,000	6,000
NSX annual fees	16,517	7,867
Consultancy fees – My Virtual HQ	19,868	24,203
Insurance – annual insurance	455	159
Total	<u>181,795</u>	<u>202,256</u>

- (1) The liquidators of Octaviar Ltd have advised the Company in the prior period that \$205,694,371 of the proof of debt claim has been allowed. At 31 December 2018, the Company received \$2,014,941 in respect of that debt claim.
- (2) During the period the Company incurred a fair value loss \$90,321 on Options (prior period gain: 168,210 Raptis Group Ltd shares were sold for \$11,335).

NOTE 3: EARNINGS PER SHARE

The following reflects the income and share data used in the total operation's basic and diluted earnings per share computations:

Earnings used in calculating earnings per share

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Continuing Net profit/(loss) attributable to ordinary equity holders of the parent	<u>(196,011)</u>	1,355,946
Weighted average number of shares	<i>No.</i>	<i>No.</i>
<i>Weighted average number of ordinary shares for basic earnings per share</i>	3,198,932	4,040,858
Effect of dilution:		
Share options	-	-
<i>Weighted average number of ordinary shares adjusted for the effect of dilution</i>	<u>3,198,932</u>	<u>4,040,858</u>

ASSET RESOLUTION LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2018



There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

NOTE 4: DIVIDENDS PAID AND PROPOSED

No dividends have been paid during the current period and no dividends have been proposed. No dividends were paid during the prior period.

NOTE 5: CASH

Cash reported comprises both cash and cash equivalents as follows:

	31 December 2018	30 June 2018
	\$	\$
Cash at bank	6,267,225	6,920,033
Total	6,267,225	6,920,033

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 \$6,267,225 (June 2018: \$6,920,033).

NOTE 6: OTHER FINANCIAL ASSETS

Mortgage loan at amortised cost

	31 December 2018	30 June 2018
	\$	\$
Opening carrying value	2,750,000	3,250,000
Receivable during period	-	(500,000)
Payments during period	500,000	-
Impairment (loss)/gain on mortgage loans	-	-
Balance at the end of the period	3,250,000	2,750,000

During the prior year ended 30 June 2017 a secured loan of \$3,250,000 was provided to John Sergeant and Jennifer Sergeant (“Sergeants”). In the year ended 30 June 2018, \$500,000 from the secured loan of \$3,250,000 was repaid by the Sergeants at the request of the Company. In the current period the \$500,000 loan was re-issued to the Sergeants. The loan was established to provide a commercial benefit to both parties, the Company is earning a higher interest than can be obtained on its bank savings and Mr Sergeant is saving interest. In addition, the loan terms include requirements to reduce the risks for the Company. The key terms of the loan are as follows:

-) The funds are secured over John Sergeant’s holding of units in the managed investment fund known as Samuel Terry Absolute Return Fund.

ASSET RESOLUTION LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED
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-) Sergeants are required to hold these funds in a mortgage offset account that allows for instant access to the funds should the funds be required by Asset Resolution Limited. The Company did call on this loan during the period to fund a potential investment, the investment bid was unsuccessful and the loan was reinstated.
-) Interest is paid monthly and is charged at a rate of 3% per annum. Interest of \$47,795 has been paid in the period (year ended June 2018: \$93,514).
-) Default interest is applied if any interest or repayment demand is not met, the rate is calculated based on the company's cost of borrowing the funds from a bank plus a margin of 3%.
-) The loan is repayable within 3 business days.

During the period the Company announced a variation to the loan agreement for the period from 15 January 2019 to 30 June 2019. The variation applied to the sum of \$1,250,000, the rate of interest payable has been increased by 1% per annum, in consideration of a change to the restriction on the Sergeant's, applicable to that sum, including that such sum shall be repayable within 10 business days rather than 3 business days' notice.

NOTE 7: EQUITY ACCOUNTED INVESTMENTS

Readily marketable options

	31 December 2018	30 June 2018
	\$	\$
Opening carrying value	-	-
Purchased during period	97,858	-
Impairment (loss)/gain to fair value through profit and loss	(90,321)	-
Balance at the end of the period	7,537	-

During the period the Company acquired 93 Options expiring in December 2018 costing \$48,493 and 62 Options expiring in June 2019 costing \$50,287. The Options expiring in June 2019 have a fair value of \$7,537.

NOTE 8: CONTRIBUTED EQUITY

	31 December 2018		30 June 2018	
	No.	\$	No.	\$
Movement in ordinary shares				
Balance at the beginning of the period	3,162,855	32,385,316	4,032,479	34,923,158
Off-market Buyback ⁽¹⁾	-	-	(900,106)	(2,592,305)
On-market Buyback ⁽²⁾	-	-	(50,769)	(108,039)
Share issue ⁽³⁾	70,422	150,000	81,251	162,502
Balance at the end of the period	3,233,277	32,535,316	3,162,855	32,385,316

- (1) On 13 February 2017 Asset Resolution Limited completed a shareholder approved unmarketable parcel buyback at \$2.12 per share.

- (2) At the 2017 Annual General Meeting Asset Resolution Limited shareholders voted in favour of Off-market Buyback and On-market Buyback resolutions. The On-market Buyback commenced in the period and allows the Company to buy back Shares of up to 806,274 (June 2017: 981,088) ordinary Shares on market over the 12 months following the date of the Annual General Meeting. During the period, Asset Resolution Limited have bought back 50,769 shares at \$2.13 average price per share (year ended 30 June 2017: 253,823 shares at \$2.12 per share).
- (3) At the 2018 Annual General Meeting Asset Resolution Limited shareholders voted in favour of Directors' fees being paid in shares rather than cash; during the period Directors fees of \$150,000 (June 2018: \$162,502) were paid via the issue of 70,422 (June 2018: 81,251) shares at \$2.13 (June 2018: \$2.00) per share.

NOTE 9: EVENTS OCCURRING AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since 31 December 2018 to the date of this report which have significantly affected or may affect:

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

NOTE 10: CONTINGENT LIABILITIES

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

NOTE 11: CONTINGENT ASSETS

Octaviar Limited debt

The Company is owed \$204 million (June 2018: \$204 million) by Octaviar Limited (formerly MFS Limited) and approximately \$137 million (June 2018: \$137 million) by Octaviar Administration Pty Ltd (formerly MFS Administration Pty Ltd).

In December 2017, the liquidators of Octaviar Limited advised ASS that \$205,694,371 of that claim has been allowed. As at 31 December 2018 the Company has been paid a total of \$2,014,941 by Octaviar Limited in respect of this debt, since the claim was allowed.

Although both companies have substantial amounts of cash and other assets that are potentially available to creditors, there are legal disputes about the status of some creditors of each company.

Both companies have spent substantial amounts on liquidators' and legal fees, and it is possible that further substantial amounts could be spent before the companies are wound up.

For the reasons set out above, it is impossible to forecast with confidence how much Asset Resolution Limited might recover from these assets, nor is it possible to forecast when Asset Resolution Limited might receive any money from them. Accordingly, the directors have resolved to continue showing the Octaviar debts at zero value in Asset Resolution Limited's accounts.

NOTE 12: COMMITMENTS

There are no commitments at 31 December 2018 or 30 June 2018.

NOTE 13: OPERATING SEGMENTS

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

ASSET RESOLUTION LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2018



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

All operations are conducted in Australia.

NOTE 14: 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 are as follows:

Giles Craig (Chair) appointed 11 September 2015

John Sergeant (Director) appointed 11 September 2015, resigned 28 February 2018

Graham Holdaway (Director) appointed 1 April 2017

Sarina Roppolo (Director) appointed 28 February 2018

Victoria Allinson (Company Secretary) appointed 1 October 2015

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

Remuneration of key management personnel

Name	Short-term Remuneration & Fees	
	31 December 2018	31 December 2017
	\$	\$
Giles Craig (Chair)	25,000	25,000
Graham Holdaway (Director)	25,000	25,000
Sarina Roppolo (Director)	25,000	-
John Sergeant (Director)	-	25,000
Total Directors fees	75,000	75,000
Victoria Allinson (Company Secretary) ⁽ⁱ⁾	7,200	7,200
Total Key Management Personnel remuneration	82,200	82,200
Includes: Share based payment paid or accrued ⁽ⁱⁱ⁾	75,000	75,000

(i) Ms Allinson provides professional accounting, administration and company secretarial services. In addition to the Company Secretarial fees, the fees for accounting services for the period amounted to \$19,869 (December 2017: \$24,203). The fees are invoiced by Allinson Accounting Solutions Pty Ltd, of which Victoria Allinson is Managing Director and shareholder. The services are provided by Ms Allinson and her employees.

(ii) At the Annual General Meeting (“AGM”) the shareholders approved, that, for the year ended 30 November 2019, directors’ fees are to be paid in shares in lieu of cash at a share price of \$3.015 (30 November 2018: \$2.13 and 30 November 2017: \$2.00 per share) under the Non-Executive Share Plan.

Independent Auditor's Review Report

To the Members of Asset Resolution Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Asset Resolution Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Asset Resolution Limited does not give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the

Corporations Regulations 2001. As the auditor of Asset Resolution Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



G S Layland
Director – Audit & Assurance

Sydney, 13 February 2019