
ASSET RESOLUTION LIMITED ANNUAL GENERAL MEETING

26 NOVEMBER 2016, 10:00 AM (AEDT)





CHAIRMAN'S ADDRESS



AGENDA

1. Board Overview
2. FY16 - Year in Review
3. Litigation/Claims
4. Portfolio
5. FY16 - Financial Results
6. Resolutions
7. FY17 - Outlook
8. Questions



1. BOARD OVERVIEW



YOUR BOARD

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.



YOUR BOARD

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

Board member since September 2015

Mr Sergeant holds degrees in Biological Sciences and Psychology from the University of Sydney, where he was until recently a lecturer in the Business School, teaching at the postgraduate level.

Prior to joining the Company, he has managed a number of successful consultancy businesses and has served on the boards of Australian and multinational professional services firms. More recently, he has helped in the successful recapitalization, recovery and return to stability and growth of a failed resources business.

He is currently a member of the boards of a number of private companies and the managing director of an ASX-listed company, Kangaroo Island Plantation Timbers Ltd.



YOUR BOARD

Fred Woollard BEd, 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. 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.



COMPANY SECRETARY

Victoria Allinson FCCA, AGIA
Company Secretary

Appointed 1 October 2015

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

She is currently Company Secretary and Chief Financial Officer (CFO) for ASX-listed, Kangaroo Island Plantation Timbers Ltd, and Company Secretary for ASX-listed, Marmota Limited.

Previously, Ms Allinson has been Company Secretary and CFO for a number of other ASX-listed companies, including Safety Medical Products Ltd, Centrex Metals Ltd, Rampart Energy Ltd, Red Gum Resources Ltd, Adelaide Energy Ltd, Enterprise Energy NL and Island Sky Australia Ltd, as well as a number of unlisted companies.



2. FY16 - YEAR IN REVIEW

2. FY16 - YEAR IN REVIEW

- Sale of 1500 Midland Highway, Creswick (Forest Resort, pictured) for \$14.9m (gross)
- \$1.54m impairment in FY16 on mortgage loans revalued in FY15 thereby reversing most of the \$2m in FY15
- \$1.1m of head office costs in year compared to \$2.2 in FY15





2. FY16 - YEAR IN REVIEW

- Recent head office costs:

Other expense	6 months 31 Dec 15	6 months 30 Jun 16	Head office savings
Directors' fees	133,720	90,000	43,720
Company secretarial fees	12,000	6,000	6,000
Audit fees	21,116	20,352	764
Accounting & administration function	162,347	52,275	110,072
Run Off Insurance	242,420	-	242,420
Legal fees	113,129	59,092	54,037
Registry fees	133,418	62,981	70,437
Total	818,150	290,700	527,450



MANDATE OF BOARD

The board of ARL changed on 11 September 2015. Your new board was elected with a mandate to:

- Reduce costs
- Improve shareholder information and democracy
- Provide a fair mechanism for those who wish to sell to do so
- Find new investments for ARL

We shall address each of these in turn.



COST SAVINGS

Head office costs FY16 have been substantially reduced by \$1.1m from \$2.2m in FY15, although it is impossible to determine exactly how much is due to the Board cost cutting we can confirm:

- Directors' fees were initially cut from \$376,000 to \$180,000 in total (\$60,000 each per annum).
- We propose a further cut to \$50,000 and that fees be paid in shares (see Resolution 4).
- Insurance for Directors and Officers has been cancelled, saving over \$222,000 pa.
- The future audit fees have been reduced from \$77,000 to \$23,000.
- Registry costs have been reduced by \$137,000, further savings expected in FY17.
- Legal fees reduced by \$266,000 due to change in activities and cost cutting.
- Administration function consulting fees \$214,000 FY16, compared to \$662,000 FY15.
- Further savings are being pursued
- Monthly cash burn excluding interest income has decreased from \$100k FY15 to \$25k FY16 onwards



TRANSPARENCY AND DEMOCRACY

- The Company now has control of its bank accounts and its own records.
- Directors now have fixed terms and face election.
- All costs are now disclosed, rather than being charged against assets and left undisclosed.
- Information is posted regularly on the website.
- We answer many enquiries from shareholders every week.
- We have moved the Company back to a listed environment, in which continuous disclosure is obligatory.



MECHANISM TO SELL

- We have found buyers for shares when shareholders have approached the Company wishing to sell.
- We sought an ASX listing but decided that required disclosure of potential transactions was not in shareholders' interests.
- We have succeeded in having ARL listed on NSX, enabling on-market sales.
- Resolutions before this meeting, if passed, provide a brokerage-free exit for those shareholders who wish to sell.
- These resolutions will also help in managing the large number of uncontactable and unmarketable holdings.



NEW INVESTMENTS

- This is the area in which we have been least successful.
- A number of opportunities have been investigated but have come to nothing.
- Our preference is to identify bargains in the distressed assets space.
- Cheap global credit and a reasonably healthy domestic economy have limited the number of opportunities.



3. LITIGATION/CLAIMS



OCTAVIAR ASSET



- In 2008, Octaviar Administration and Octaviar Limited collapsed, owing ARL's predecessors money.
- ARL will receive only a small fraction of the money it is owed.
- This remains a highly complex situation, due to competing claims, cross claims and significant legal uncertainty.
- Currently valued in ARL accounts at zero, and had been costing significant legal fees.
- ARL is now in direct contact with the liquidator and HWL Ebsworth is no longer involved
- ASIC is pursuing a separate claim.



4. PORTFOLIO



PORTFOLIO

- The principal asset of ARL comprises cash of approximately \$12.5m FY16.
- ARL owns 1,794,840 shares in Raptis Group Limited, received in settlement of an earlier claim, currently shown in the accounts at zero.
- Octaviar exposure, currently shown in the accounts at zero.





5. FY16 FINANCIAL RESULTS



FY16 FINANCIAL RESULTS

- Revenue \$0.1m (FY15: \$3.0m).
- Net loss after tax \$2.0m (FY15: profit \$2.4m), including:
 - Impairment loss on mortgage loans of \$1.54m (FY15: gain \$1.95m)
 - Gain on realisation of mortgage loans of nil (FY15: \$0.88m)
 - Operating costs of \$1.1m (FY15: \$2.2m)



FY16 FINANCIAL RESULTS

- Net assets of ARL as at 30 June 2016 were \$12.5m (FY15: \$14.5m) or \$2.54 per share (FY15: \$2.96 per share).
- FY15 Net assets included \$1.5m of mortgage loan revalued assets that were an impairment in FY16.
- Cash at bank as at 30 June 2016 was \$12.5m (FY15: \$0.3m).
- Cash at bank at today's date is \$12.4m



6. FY 17 OUTLOOK



FY 17 OUTLOOK

- We will continue to pursue the Octaviar proof of debt claim.
- We will commence a capital management program to increase NTA per share.
- We will provide a mechanism for those who wish to sell their shares to do so on fair terms.
- We will continue to reduce operating costs.
- We are currently reviewing a number of investment opportunities but it is premature to comment further at this stage.
- We believe increasing volatility and interest rates likely to increase opportunities



7. QUESTIONS



QUESTIONS

- Prior to asking your question, please state your name so that it can be reflected in the minutes of the meeting.



8. RESOLUTIONS



ITEM 1 FINANCIAL STATEMENTS

- To receive and consider:
 - (a) the financial statements;
 - (b) the directors' report; and
 - (c) the auditor's report
- ... of ARL for the year ended 30 June 2016.
- These statements and reports are placed before the Shareholders for discussion and Shareholders will be given the opportunity to ask questions and make comments on these statements and reports.
- No voting is required on this matter.



RESOLUTION 1 ELECTION OF DIRECTOR: MR GILES CRAIG

RESOLUTION

- *“That Mr Giles Cameron Craig, a director retiring by rotation, being eligible, is re-elected as a director of ARL.”*

PROXY SUMMARY

FOR	OPEN	AGAINST	ABSTAIN
1,533,730	90,598	51,163	9,877
91.54%	5.41%	3.05%	Abstain votes are not counted in determining whether or not the required majority of votes were cast for or against that item



RESOLUTION 2 ON-MARKET BUY-BACK OF SHARES

RESOLUTION

- *“That, subject to ARL being listed on the NSX, for the purposes of section 257C of the Corporations Act 2001 (Cth) and for all other purposes, Shareholders authorise and approve the on-market buy-back of between 470,544 and up to 981,088 fully paid ordinary Shares in the Company (representing approximately 10% to 20% of the Company’s issued Shares as at 17 October 2016) in the 12 month period following the approval of this Resolution, pursuant to an on-market buy-back conducted in accordance with the requirements of the Listing Rules and the Corporations Act (being over the 10/12 limit (as defined in section 257B(4)) and on the terms as described in the Explanatory Statement to this Notice of Meeting.”*

PROXY SUMMARY

FOR	OPEN	AGAINST	ABSTAIN
1,529,948	90,926	55,529	8,965
91.26%	5.42%	3.31%	Abstain votes are not counted in determining whether or not the required majority of votes were cast for or against that item



RESOLUTION 3 OFF-MARKET BUY-BACK OF SHARES

RESOLUTION

- *“That, subject to ARL being listed on the NSX, for the purposes of section 257C(1) of the Corporations Act 2001 (Cth) and for all other purposes, Shareholders authorise and approve the off-market acquisition of between 470,544 and up to 981,088 fully paid ordinary Shares in the Company (being approximately 10% to 20% of the Company’s issued Shares as at 17 October 2016) at a price to be calculated at a premium of 7.5% to the 30 day volume weighted average practice (VWAP) per Share in the 12 month period following the approval of this Resolution, pursuant to an off-market buy-back conducted in accordance with the requirements of the Listing Rules and the Corporations Act and on the terms as described in the Explanatory Statement to this Notice of Meeting.”*

PROXY SUMMARY

FOR	OPEN	AGAINST	ABSTAIN
1,509,424	96,236	67,573	12,076
90.21%	5.75%	4.04%	Abstain votes are not counted in determining whether or not the required majority of votes were cast for or against that item



RESOLUTION 4 NON-EXECUTIVE SHARE PLAN

SPECIAL RESOLUTION

- *"For the purposes of NSX Listing Rule 6.44 and for all other purposes, Shareholders approve the establishment and implementation of the Non-Executive Share Plan and the issue of securities under the Non-Executive Share Plan, in the form to be tabled by the Chairman at the meeting, in accordance with the requirements of the Corporations Act and the NSX Listing Rules (if applicable) and on the terms as described in the Explanatory Statement to this Notice of Meeting."*

PROXY SUMMARY

FOR	OPEN	AGAINST	ABSTAIN
356,374	96,535	86,606	21,088
66.05%	17.89%	16.05%	Abstain votes are not counted in determining whether or not the required majority of votes were cast for or against that item



RESOLUTION 5 ISSUE SHARES TO G CRAIG UNDER NON-EXECUTIVE SHARE PLAN IN LIEU OF DIRECTOR'S FEES FOR YEAR ENDED 30 NOV 2017

SPECIAL RESOLUTION

- *“That, conditional on the approval of Resolution 4, and for all purposes, including the requirements of NSX Listing Rules 6.25 and 6.44 (if applicable), approval is given for the Board to allot and issue up to 25,000 Shares to Giles Craig (being a Non-Executive Director of the Company) and/or their nominees under the Non-Executive Share Plan on the terms and conditions set out in the Explanatory Statement.”*

PROXY SUMMARY

FOR	OPEN	AGAINST	ABSTAIN
363,682	86,402	94,685	15,834
66.76%	15.86%	17.38%	Abstain votes are not counted in determining whether or not the required majority of votes were cast for or against that item



RESOLUTION 6

ISSUE SHARES TO F WOOLLARD UNDER NON-EXECUTIVE SHARE PLAN IN LIEU OF DIRECTOR'S FEES FOR YEAR ENDED 30 NOV 2017

SPECIAL RESOLUTION

- *“That, conditional on the approval of Resolution 4, and for all purposes, including the requirements of NSX Listing Rules 6.25 and 6.44 (if applicable), approval is given for the Board to allot and issue up to 25,000 Shares to Frederick Woollard (being a Non-Executive Director of the Company) and/or their nominees under the Non-Executive Share Plan on the terms and conditions set out in the Explanatory Statement.”*

PROXY SUMMARY

FOR	OPEN	AGAINST	ABSTAIN
363,542	87,192	94,932	14,878
66.62%	15.98%	17.40%	Abstain votes are not counted in determining whether or not the required majority of votes were cast for or against that item



RESOLUTION 7 ISSUE SHARES TO J SERGEANT UNDER NON-EXECUTIVE SHARE PLAN IN LIEU OF DIRECTOR'S FEES FOR YEAR ENDED 30 NOV 2017

SPECIAL RESOLUTION

- *“That, conditional on the approval of Resolution 4, and for all purposes, including the requirements of NSX Listing Rules 6.25 and 6.44 (if applicable), approval is given for the Board to allot and issue up to 25,000 Shares to John Sergeant (being a Non-Executive Director of the Company) and/or their nominees under the Non-Executive Share Plan on the terms and conditions set out in the Explanatory Statement.”*

PROXY SUMMARY

FOR	OPEN	AGAINST	ABSTAIN
366,793	87,156	94,057	12,597
66.93%	15.90%	17.16%	Abstain votes are not counted in determining whether or not the required majority of votes were cast for or against that item



RESOLUTION 8 ADOPTION OF NEW CONSTITUTION

SPECIAL RESOLUTION

- *“That the document entitled Constitution of ARL tabled at the Meeting and signed by the Chairperson of the Meeting for the purposes of identification is adopted as the new Constitution of ARL in substitution for its current Constitution, with effect from 9.00am (AEDT) on the day immediately after the date on which this Resolution is passed.”*

PROXY SUMMARY

FOR	OPEN	AGAINST	ABSTAIN
603,363	89,505	69,389	923,111
79.15%	11.74%	9.10%	Abstain votes are not counted in determining whether or not the required majority of votes were cast for or against that item