ASSET RESOLUTION LIMITED
ABN 99 159 827 871

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

ASSET RESOLUTION LIMITED
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

TABLE OF CONTENTS

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 2014 and independent auditors’ report thereon.

Directors

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

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

The directors have been in office to since the start of the financial year to the date of this report unless otherwise stated.

Information on Directors

Mr. David Beddall (Chairman)

Mr. Beddall brings to the ARL board a breadth of experience including being a Federal member in the Australian Parliament from 1983 to 1998, federal minister from 1990 to 1996 and president of the Australian Franchisees Association Incorporated, Members of the Australian Competition & Consumer Commission Franchising Consultative Committee.

Mr. Beddall has also been Councillor of the Australian Industry Group and Councillor – Queensland executive members (branch Secretary & Treasurer) of the Australian Industry Group (Qld). Mr. Beddall was most recently Chairman of Industrea Limited an ASX 200 listed Company which was sold in November 2012 to the General Electric Company.

Mr Lindsay Johnston

Mr. Johnston has had over 15 years banking and accounting experience as a National and General Manager / Executive.

Mr. Johnston’s specialties include: portfolio finance and management; portfolio sales; credit risk; market risk; asset management; risk assessment; and mergers and acquisitions.

Mr Tony Pope

Mr. Pope has in excess of 40 years’ experience in banking and funds management. Mr. Pope has been involved in the senior management of finance and investment banking companies with experience in lending, treasury, equipment leasing and structured finance. Mr. Pope has extensive expertise in the property and finance sectors particularly relating to their compliance with Australian Financial Services Licences.

Mr. Pope was involved in the turnaround of the Estate Mortgage Trusts and their restructure into the successful listed property trust, Meridian Investment Trust. Acting as the Fund Manager for a number of years, Mr. Pope negotiated the takeover of two other listed trusts, one of which was a retail trust with 10 shopping centres in New South Wales and Queensland.

Mr. Pope has extensive experience in the financing and workout of property assets and has particular experience in the development and management of 15 shopping centres, ranging from neighbourhood centres to sub regional centres. In recent years he has completed the construction and sale of two multi-unit residential developments on behalf of lending institutions, as well as the disposal of more specialised assets such as retirement villages and hotels.

Meeting of Directors

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

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

Directors of ARL do not hold any shares in ARL.

Principal Activities

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

Results

The net loss after income tax of ARL for the year ended 30 June 2014 was $4,610,399 (2013: $20,020,745)

Dividends

There were no dividends paid or declared during the year.

Corporate Actions

As described in Review of Operations, ARL was assigned the assets referred to on pages 7 and 8 in consideration for 980,558,167 ARL shares.

Review of Operations

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

Significant Changes in State of Affairs

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

Matters Subsequent to the End of the Reporting Period

On 3 July 2014, ARL completed the sale of lot 1202 in the Outrigger Resort for gross proceeds of $90,182 inclusive of GST.

Mt Louisa, Townsville settlement extended by 3 months.

The vendor financing for the Kooralbyn Resort has been extended by 2 months.

Other than the above, no other matter or circumstance has arisen since 30 June 2014 to the date of this report which has significantly affected or may affect:

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

Likely Developments

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

Environmental Regulation

The Company is not subject to environmental regulation.

Shares Under Option

There are no shares under option.

Insurance of Officers

During the year, a premium of $191,829.50 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*.

Auditor's Declaration

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

Signed in accordance with a resolution of the directors:

Director | Director

Brisbane, 30 October 2014

Review of Operations

Outlined below is: the history of Asset Resolution Limited ("ARL"); the assignment of assets by the Premium Income Fund ARSN 090 687 577 ("PIF") through Perpetual Nominees Limited ("PNL") as Custodian of the PIF to ARL; and a review of the current period operations.

History of ARL and assignment of assets from the PIF

On 4 September 2012, the following assets were assigned to ARL from PNL as Custodian of the PIF :

1. First ranking mortgage, charge and other securities relating to a 100 room hotel, golf course, school and residential land located at Kooralybn, QLD;

2. First ranking mortgage, charge and other securities relating to 104 units in the Outrigger located at Surfers Paradise, QLD;

3. First ranking mortgage, charge and other securities relating to 12 apartments located at "Icon" Port Macquarie, NSW;

4. First ranking mortgage and other securities relating to land with development approval for a tourist facility located at Mission Beach, QLD;

5. First ranking mortgage, charge and other securities relating to land with development approval lodged for residential subdivision located at Mt. Louisa, QLD;

6. First ranking mortgage, charge and other securities relating to land with development approval for 11 apartments located at Nambucca Heads, NSW;

7. First ranking mortgage, charge and other securities relating to land with development approval located at Tweed Heads, NSW;

8. 60% of the first and second ranking mortgages relating to a 144 room hotel and 18-hole golf course and residential land at the Forest Resort;

9. The benefit of claims in the Class Action Litigation and ASIC Compensation Claim (with any compensation received in this particular claim to be made to unit holders in PIF as at 15 October 2008) that were assigned or intended to be assigned;

10. All interest in the benefit of the Proof of Debt in Octaviar Limited and Octaviar Administration Pty Ltd.

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

The assignment of the abovenoted assets also included liabilities specific to each asset (including unpaid rates, land tax, water charges and other operating liabilities) in the aggregate amount of $3,743,837 against which an equal amount of cash was assigned.

In consideration for the assignment of the abovenoted Assets and associated liabilities ARL issued 830,532,768 shares to PIF who then made an *in specie* distribution of the ARL shares to PIF unit holders.

Review of Operations (continued)

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

ARL is a special-purpose entity established specifically to realise the Assets in a manner that will attempt to achieve fair value. ARL is comprised of a 3-member board with significant experience in the realisation of mortgage loans and leisure assets.

Review of current period operations

During the period, ARL appointed specialist service providers FTI Consulting and Castlereagh Capital to assist with the management and realisation of the Assets. Specifically, in respect of abovelisted assets 1 through 8, these appointments were made as either Controller or agent of ARL as Mortgagee-In-Possession of the underlying security property. The service providers also assisted with certain statutory obligations of ARL during the period.

Revenue for ARL for the period, as set out in the financial statements, was $3,543,290 and net loss after tax for the period was $4,610,399. This loss includes:

1. Impairment loss on mortgage loans of $5,928,531, further detailed below;
2. Gain on realisation of mortgage loans of $686,034; and
3. Operating costs of $2,225,158.

Net assets of ARL as at 30 June 2014, as set out in the attached financial statements, are $30,773,856 or 3.14 cents per share. It is cautioned that the 3.14 cents per share as at 30 June 2014 is an estimate that may decrease by the post balance date contracted value for the existing properties held. Future differences between 30 June 2014 carrying values and ultimate realisable values will cause a difference in the net asset value per share.

The fair value of the Assets at 30 June 2014 was determined by reference to third-party valuation and other considerations. The fair value of Assets assigned to ARL by PIF on 4 September 2012 and 18 December 2012, based on information that directors were entitled to use in accordance with accounting standards was estimated at $55,405,000 (in aggregate). The difference between the aggregate fair value at 4 September 2012 and 18 December 2012 on the one hand and the fair value at 30 June 2014, taking into account specific asset holding costs that are not considered recoverable and asset realisations during the period, resulted in an impairment during the period of $5,928,531. The board considers it appropriate to take a conservative view on the carrying value of assets.

During the period, ARL completed the sale of:

1. 136-150 Dry Dock Road, Tweed Heads South resulting in net realisations of $3,031,637;

2. unit 402 in "Icon" Port Macquarie resulting in net realisations of $650,655;

3. unit 403 in "Icon" Port Macquarie resulting in net realisations of $620,831;

4. unit 405 in "Icon" Port Macquarie resulting in net realisations of $584,721;

5. 11 Ridge Street, Nambucca Heads resulting in net realisations of $435,185;

Review of Operations (continued)

6. 103 lots in Outrigger Resort resulting in net realisations of $8,223,925;

7. The remainder of Kooralbyn Resort was sold for $7,046,623. A requirement for the sale was that ARL provide vendor finance to the purchaser for 90 days. Subsequent to year end this was extended to 150 days; and

8. The land with development approval for a tourist facility located in Mission Beach QLD resulting in net realisations of $2,325,000.

The above transactions are in relation to the management of the underlying securities assigned to the mortgage loans acquired. The accounting treatment for these transactions is outlined in Note 1(d) Financial Instruments – Measurement.

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ASSET RESOLUTION LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014, there have been:

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

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

PKF HACKETTS

PKF HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 30 October 2014

PKF Hacketts Audit
ABN 33 873 151 348

Level 3, 549 Queen Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8th Floor, 10 Market Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3221 1877
f +61 7 3221 8261

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

ASSET RESOLUTION LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 31, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Mr David Beddall	Mr Tony Pope
Director	Director

Brisbane, 30 October 2014

ASSET RESOLUTION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	8 August 2012 to 30 June 2013 $
Revenue from continuing operations			
Interest income		271,004	38,864
Income from proof of debt claim		2,586,252	-
Gain on realisation of mortgage loans	7	686,034	-
Total revenue from continuing operations		3,543,290	38,864
Expenses			
Audit expense		92,410	83,115
Commissions paid		-	120,707
Consultancy fees		1,391,464	1,379,920
Directors fees		-	435,915
Insurance		188,444	215,422
Legal & accounting		223,122	349,372
Impairment loss on mortgage loans	7	5,928,531	17,466,043
Other		329,718	9,115
Total expenses		8,153,689	20,059,609
Profit / (loss) before income tax		**(4,610,399)**	**(20,020,745)**
Income tax (expense) / benefit	4	-	-
Profit / (loss) for the period		**(4,610,399)**	**(20,020,745)**
Other comprehensive income, net of income tax			
Other comprehensive income, net of income tax		-	-
Total comprehensive income, net of income tax		**(4,610,399)**	**(20,020,745)**
Profit / (loss) attributable to members		**(4,610,399)**	**(20,020,745)**
Total comprehensive income attributable to members		**(4,610,399)**	**(20,020,745)**
Earnings per share			
Basic profit / (loss) per share (cents)	15	(0.47)	(2.16)
Diluted profit / (loss) per share (cents)	15	(0.47)	(2.16)

The accompanying notes form part of these financial statements.

ASSET RESOLUTION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
Assets			
Cash	5	14,438,194	2,779,770
Receivables	6	1,424,085	283,783
Financial assets - other	7a	4,932,972	-
Financial assets - mortgage loans	7	11,216,591	36,688,375
Total assets		**32,011,842**	**39,751,928**
Liabilities			
Payables	8	1,156,437	3,486,005
Accrued expenses	9	49,000	688,466
Other payables	10	32,549	193,202
Total liabilities		**1,237,986**	**4,367,673**
Net assets		**30,773,856**	**35,384,255**
Equity			
Owners' capital	11	55,405,000	55,405,000
Retained losses	16	(24,631,144)	(20,020,745)
Total equity		**30,773,856**	**35,384,255**

The accompanying notes form part of these financial statements.

ASSET RESOLUTION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Ordinary shares $	Retained earnings $	Total $
Share issue at registration on 8 August 2012	11	1	-	1
Profit (loss) attributable to members		-	(20,020,745)	(14,550,941)
Transactions with owners in their capacity as owners:				
Share issue on 4 September 2012	11	50,465,000	-	50,465,000
Share redemption on 5 September 2012	11	(1)	-	(1)
Share issue on 18 December 2012	11	4,940,000	-	4,940,000
Sub total		55,405,000	(20,020,745)	35,384,255
Dividends paid		-	-	-
Balance at 30 June 2013		**55,405,000**	**(20,020,745)**	**35,384,255**
Balance as at 1 July 2013	11	55,405,000	(20,020,745)	35,384,255
Profit (loss) attributable to members		-	(4,610,399)	(4,610,399)
Transactions with owners in their capacity as owners:		-	-	-
Sub total		-	(4,610,399)	(4,610,399)
Dividends paid		-	-	-
Balance at 30 June 2014		**55,405,000**	**(24,631,144)**	**30,773,856**

The accompanying notes form part of these financial statements.

ASSET RESOLUTION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	8 August 2012 to 30 June 2013 $
Cash flow from operating activities			
Interest received		212,215	38,864
Payments to suppliers and employees		(2,830,167)	(2,340,238)
Net cash provided by/(used in) operating activities	18	(2,617,952)	(2,301,374)
Cash flow from investing activities			
Gains from realisation of mortgage assets		19,006,626	5,602,757
Mortgage loan advances and property outgoings		(7,316,502)	(4,265,450)
Cash received on assignment of liabilities		-	3,743,837
Gains from realisation of litigation		2,586,252	-
Net cash provided by/(used in) investing activities		14,276,376	5,081,144
Cash flow from financing activities			
Net cash provided by/(used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		11,658,424	2,779,770
Cash and cash equivalents at beginning of the period		2,779,770	-
Cash and cash equivalents at end of the period	5	14,438,194	2,779,770

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION OF THE FINANCIAL REPORT

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

These policies have been consistently applied, unless otherwise stated. The financial statements are for the single entity being Asset Resolution Limited, which is an unlisted public company, incorporated and domiciled in Australia. The company was incorporated on 8 August 2012 and the comparative information in these financial statements is for the period from incorporation to 30 June 2013. The financial statements are presented in Australian dollars.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Asset Resolution Limited is a for-profit entity for the purpose of preparing the financial statements. The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current as this provides information that is more reliable and relevant.

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

(ii) New and amended standards adopted by the Company
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period and are not likely to affect future periods.

(iii) Early adoption of standards
The company has not elected to early adopt any of the pronouncements to the reporting period beginning 1 July 2013. Refer to note 1 (k).

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

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

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

(a) Revenue recognition

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

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

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

Revenue is recognised for the major business activities as follows:

(i) Realised gains and losses on sale of assets

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

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

(ii) Interest income

Interest income is recognised using the effective interest method.

(b) Expense recognition

Expenses are recognised in the statement of profit or loss and other comprehensive income, on an accruals basis.

(c) Income tax

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is

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

(c) Income tax (continued)

realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

(d) Financial instruments

(i) Classification

The company has the following financial assets:
- mortgage loans
- other loans and receivables

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

(ii) Recognition / derecognition

The company recognises financial assets and liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date. Financial assets are derecognised when the right to receive cash flows from the asset have expired or the company has transferred substantially all of the risks and rewards of ownership. Financial assets are initially recognised at fair value plus transaction costs for all assets not carried at fair value through profit or loss.

(iii) Measurement

Financial assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each balance date to determine whether there is objective evidence of impairment.

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

(d) Financial instruments (continued)

If evidence of impairment exists, an impairment loss is recognised in the statement of profit or loss and other comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset decreases, and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through the statement of profit or loss and other comprehensive income.

Receipts collected and payments made in relation to the management of the asset held as underlying security for the mortgage loans, have been included in the mortgage loan's carrying value calculation. The carrying value of the loan is then subject to impairment considerations as noted.

(e) Impairment of assets

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

(f) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(g) Trade receivables

Trade receivables are recognised initially at fair value less provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition, and are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the

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

(g) Trade receivables (continued)

impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

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

(h) Trade and other payables

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

(i) Contributed equity

Ordinary shares are classified as equity.

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

(j) Goods and Services Tax (GST)

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

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

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

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

(k) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

(ii) AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

(iii) Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

(iv) AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

(v) AASB 2013–4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

(vi) AASB 2013–5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

The company does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015. The company is currently evaluating the impact of the new standards; however they are not expected to have a material impact on the company.

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

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates

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

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

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

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

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

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

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

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.

NOTE 3: FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Market Risk

Price Risk

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

Interest Rate Risk

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

Sensitivity analysis

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

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

	Profit $	Equity $
Year ended 30 June 2014		
+/- 10% in real estate market values *	1,121,659	1,121,659

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

(b) Credit risk exposures

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

Trade credit risk

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

The company has a significant concentration of trade credit risk in regards to the loan and receivable held in regards to the purchaser finance for the Kooralbyn property sale. While significant concentration of credit risk exists, the risk is mitigated by the loan and receivable having an attached security being the Kooralbyn property. At balance date, the Kooralbyn property has a net realisable value of greater than the loan and receivable held.

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

Investment credit risk

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

(c) Liquidity risk

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

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

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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

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

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

(d) Fair values

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

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

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

NOTE 4: INCOME TAX EXPENSE

(a) The prima facie tax on profit differs from income tax provided in the financial statements as follows:	30 June 2014 $	30 June 2013 $
Total profit (loss) before income tax	(4,610,399)	(20,020,745)
At the statutory income tax rate of 30%	(1,383,120)	(6,006,224)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
Fines and penalties	1,437	292
	(1,381,683)	(6,005,932)
Less tax effect of :		
Other deductible items	(15,000)	-
Recoupment of prior year losses not previously brought to account	(396,576)	-
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	1,793,259	6,005,932
Income tax expense (benefit)	-	-

(b) Component of income tax expenses (benefit):

Current tax	-	-
Deferred income tax	-	-
Total income tax expenses (benefit)	-	-

(c) Deferred tax assets:

The balance comprises temporary differences attributable to:

- Impairment	1,778,559	5,239,813
- Accumulated tax losses	354,747	751,323
- Others	14,700	15,000
Total deferred tax assets	2,148,006	6,006,136
Net adjustment to deferred tax assets for tax losses not recognised	(2,148,006)	(6,006,136)
Net deferred tax assets	-	-

NOTE 5: CASH

	30 June 2014 $	30 June 2013 $
Cash at bank	11,745,537	2,679,027
Funds held in trust	2,692,657	100,743
	14,438,194	2,779,770

NOTE 6: RECEIVABLES

Trade debtors	67,484	37,164
GST receivable	143,727	-
Other receivables	60,141	-
Receivable from controller	1,152,733	246,619
	1,424,085	283,783

NOTE 7: FINANCIAL ASSETS - MORTGAGE LOANS

Opening carrying value	36,688,375	55,405,000
Receipts during period	(24,845,713)	(5,602,757)
Payments during period	4,616,426	4,352,175
Impairment loss on mortgage loans	(5,928,531)	(17,466,043)
Gain on realisation on mortgage loans	686,034	-
Balance at the end of the period	11,216,591	36,688,375

NOTE 7a: FINANCIAL ASSETS - OTHER

Loan and receivable	4,932,972	-

On 2 June 2014 the company entered into a loan agreement regarding the financing for the sale of the Kooralbyn Property. Settlement was due 2 September 2014, but subsequent to the year end the loan has been extended by a further 2 months.

NOTE 8: PAYABLES

Trade payables	1,156,437	3,486,005
	1,156,437	3,486,005

NOTE 9: ACCRUED EXPENSES

Accrued expenses	49,000	688,466
	49,000	688,466

NOTE 10: OTHER PAYABLES

	30 June 2014	30 June 2013
	$	$
GST payable	-	175,325
PAYG payable	32,549	17,877
	32,549	193,202

NOTE 11: OWNERS' CAPITAL

	30 June 2014		30 June 2013	
	No.	$	No.	$
Movement in ordinary shares				
Balance at the beginning of the period	980,558,167	55,405,000	-	-
Shares on issue at registration date	-	-	1	1
Shares issued *	-	-	830,532,768	50,465,000
Shares redeemed **	-	-	(1)	(1)
Shares issued ***	-	-	150,025,399	4,940,000
Balance at the end of the period	980,558,167	55,405,000	980,558,167	55,405,000

* On 4 September 2012, ARL issued 830,532,768 shares for the assignment of the mortgage loans from PIF and all interests in three litigations (detailed in the directors report above).

** On 4 September 2012, ARL redeemed the 1 share on issue prior to the acquisition of the above mentioned assets from PIF.

*** On 18 December 2012, ARL issued 150,025,399 shares for the assignment of the remaining 40% debt and charges over six companies referred to as The Forest Resort companies from PIF.

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 12: KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Mr David Beddall (Chairman)
Mr Lindsay Johnston (Director)
Mr Tony Pope (Director) (appointed 18 October 2012)

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

For the period ended 30 June 2014, the remuneration paid to the Directors of the Company amounted to $363,823.

Remuneration of key management personnel

Name	Short-term Cash Salary & Fees $	
	2014	**2013**
Mr David Beddall (Director)*	131,000	121,000
Mr. Wayne Jenvey ^	-	66,000
Mr Lindsay Johnston (Director)	120,675	138,236
Mr Tony Pope (Director)*	112,148	91,634
Total	363,823	416,920

* amounts inclusive of GST
^ Wayne Jenvey resigned on 26 June 2013

Director Shareholding

Directors of ARL do not hold any shares in ARL.

NOTE 13: REMUNERATION OF AUDITORS

The auditor of the company is PKF Hacketts Audit.

The remuneration paid to or incurred by PKF Hacketts Audit during the period was $92,410 (2013: $83,115)

The remuneration paid to the related practice of the auditor for taxation services during the period was $4,695 (2013: nil)

NOTE 14: DIVIDENDS

There were no dividends paid or declared during the period.

NOTE 15: EARNINGS PER SHARE

	30 June 2014	30 June 2013
	$	$
(a) Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	(4,610,399)	(20,020,745)
(b) Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	(4,610,399)	(20,020,745)
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	980,558,167	927,873,662

NOTE 16: RETAINED EARNINGS

	30 June 2014	30 June 2013
	$	$
Opening balance	(20,020,745)	-
Net profit/(loss) for the year	(4,610,399)	(20,020,745)
Deficit at the end of the year	(24,631,144)	(20,020,745)

NOTE 17: RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

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

	30 June 2014	30 June 2013
	$	$
Net profit/(loss) after tax	(4,610,399)	(20,020,745)
Non-cash and non-operating items in profit:		
- mortgage loan impairment expense	5,928,531	17,466,043
- income from litigation	(2,586,252)	-
- realisation of mortgage asset (gain)/loss	(686,034)	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(58,790)	(68,200)
Increase/(decrease) in payables and accruals	(605,008)	321,528
Net cash inflow/(outflow) from operating activities	(2,617,952)	(2,301,374)

NOTE 19: SUBSEQUENT EVENTS

On 3 July 2014, ARL completed the sale of lot 1202 in the Outrigger Resort for gross proceeds of $90,182 inclusive of GST.

Mt Louisa, Townsville settlement extended by 3 months.

The vendor financing for the Kooralbyn Resort has been extended by 2 months.

Other than the above, no other matter or circumstance has arisen since 30 June 2014 to the date of this report which has significantly affected or may affect:

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

NOTE 20: COMMITMENTS AND CONTINGENT LIABILITIES

On 17 October 2012, Justice Jagot held Wellington Capital Limited as Responsible Entity of the Premium Income Fund ("PIF") did not act in contravention of the Constitution of PIF when it effected an *in* specie distribution of shares in ARL to the unit holders of PIF. On 28 May 2013, the Full Court declared that the *ín specie* distribution of shares to unit holders of PIF was beyond the power of Wellington. The court further declared that by making an *in specie* transfer of the shares to the unit holders in PIF, Wellington did not operate PIF and perform the functions conferred on it by PIF's constitution, and contravened s601FB(1) of the *Corporations Act 2001 (Cth).* Wellington issued, on 28 May 2013, two releases on the NSX saying they intend to apply for leave to appeal the Full Court's decision to the High Court and that the decision did not impact the *in specie* distribution of shares to unit holders in September 2012. The directors understand that an application for special leave to the High Court has been filed by Wellington and the hearing date was 9 September 2014.

The outcome of this application is pending.

NOTE 21: COMPANY DETAILS

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

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

Report on the Financial Report

We have audited the accompanying financial report of Asset Resolution Limited ("the Company") which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Financial Report

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

In Note 1, the Directors also state that, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PKF Hacketts Audit
ABN 33 873 151 348

Level 3, 549 Queen Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8th Floor, 10 Market Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3221 1877
f +61 7 3221 8261

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

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

Opinion

In our opinion:

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

   (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PKF HACKETTS

PKF HACKETTS AUDIT

Liam Murphy
Partner
Brisbane, 30 October 2014