ASSET RESOLUTION LIMITED
ABN 99 159 827 871

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

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The directors present their report together with the condensed financial report of Asset Resolution Limited, for the half year ended 31 December 2013 and independent auditor's review report thereon. The period of this interim financial report is for the period 1 July 2013 to 31 December 2013.

Directors

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

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

The directors have been in office since the start of the half 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.

Information on Directors (continued)

In recent years Mr Pope 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.

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 Hotel 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.

Review of Operations (continued)

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 liabilities ARL issued 830,532,768 shares in itself (being 100% of ARL's share capital) to PIF who then made an *in specie* distribution of the ARL shares to PIF unit holders.

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 150,025,399 shares in itself 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 $97,647 and net loss after tax for the period was $6,189,264. This loss includes:

1. Impairment loss on mortgage loans of $4,547,695, further detailed below; and
2. Operating costs of $1,481,373.

Net assets of ARL as at 31 December 2013, as set out in the attached financial statements, are $29,194,991 or 2.98 cents per share.

The fair value of Assets at 31 December 2013 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, is estimated at $55,405,000 (in aggregate). The difference between the aggregate fair value at 1 July 2013 on the one hand, and the fair value at 31 December 2013, taking into account specific asset holding costs that are not considered recoverable, resulted in an impairment during the period of $4,547,695. The board considers it appropriate to take a conservative view on the carrying value of assets.

Review of Operations (continued)

During the period, ARL completed the sale of:

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

2. the land with development approval (and intellectual property rights pertaining to same) located at Tweed Heads, NSW resulting in net realisations of $2,884,957;

3. the land located at Nambucca Heads, NSW resulting in net realisations of $435,407;

4. lot 85 in the Forest Resort resulting in a net realization of $132,260;

5. unit 403 in the "Icon" Port Macquarie resulting in net realisations of $595,631; and

6. unit 402 in the "Icon" Port Macquarie resulting in net realisations of $609,091.

During the period, ARL also received the following proceeds:

1. A distribution of $1,097,727 (being a distribution of 0.8 cents in the dollar) in relation to the Proof of Debt Claim in the liquidation of Octaviar Administration Pty Limited (In Liquidation). The directors note the company's entitlement to these funds is presently being reviewed by its solicitors (see Note 6); and

2. Rental income of $78,106 from The Kooralbyn International School in respect of their tenancy at the Kooralbyn Resort grounds.

During the period, ARL entered into the following sale contracts in respect of the Assets:

1. the remainder of the Kooralbyn Resort at $6,600,000 (exclusive of GST). Terms of the sale are currently being negotiated;

2. the 104 units in the Outrigger on an "in-one-line" basis. The purchaser elected not to proceed with the purchase and the contract is now at an end;

3. the land at 507-523 Dalrymple Road, Mt Louisa, Townsville QLD at $1,727,273 (exclusive of GST). The contract is now unconditional and due to settle on 4 September 2014.

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.

Corporate actions

As noted above, ARL was assigned from PIF through PNL the assets referred to on page 4 in consideration for 980,558,167 ARL shares.

Events subsequent to balance date

Post balance date, ARL entered into the following sale contracts in respect of the Assets:

1. Room 805 (title ref 804) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which settled on 14 February 2014;

2. Room 807 (title ref 805) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which settled on 14 February 2014;

3. Room 809 (title ref 806) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which settled on 14 February 2014;

4. Room 812 (title ref 818) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which settled on 14 February 2014;

5. Room 808 (title ref 820) at the "Outrigger Hotel" Surfers Paradise at a gross price of $99,000 (inclusive of GST) which settled on 24 February 2014;

6. Room 1704 (title ref 1722) at the "Outrigger Hotel" Surfers Paradise at a gross price of $125,000 (inclusive of GST) which settled on 24 February 2014;

7. Room 1702 (title ref 1723) at the "Outrigger Hotel" Surfers Paradise at a gross price of $125,000 (inclusive of GST) which settled on 24 February 2014;

8. Room 1212 (title ref 1218) at the "Outrigger Hotel" Surfers Paradise at a gross price of $108,000 (inclusive of GST) which settled on 7 March 2014;

9. Room 801 (title ref 802) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which is expected to settle on 17 March 2014; and

10. Room 803 (title ref 803) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which is expected to settle on 24 March 2014.

Post balance date, ARL also received a notice from the liquidators of Octaviar Administration Pty Limited (In Liquidation) that a further interim distribution on admitted claims will be paid on or before 18 April 2014. The liquidators have advised that the dividend is likely to be 1.5 cents in the dollar – this would result in a payment of $2,058,238.56 to ARL.

Other than the above, no other matter or circumstance has arisen since 31 December 2013 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.

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:

Mr David Beddall
Chairman

Brisbane, 14 March 2014

lawler hacketts chartered accountants

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 interim half year ended 31 December 2013 there have been:

a. no contraventions of the auditor independence requirements as set out in 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.

Lawler Hacketts

LAWLER HACKETTS AUDIT

Liam Murphy
Partner
Brisbane, 14 March 2014

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Asset Resolution Limited, the directors of the Company declare that:

(a) The financial statements and notes set out on pages 11 to 23 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting* and the *Corporations Regulations 2001*;

  (ii) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed for, and on behalf of, the Board in accordance with a resolution of the Directors

Mr David Beddall
Chairman

Brisbane, 14 March 2014

ASSET RESOLUTION LIMITED
CONDENSED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	Half year ended 31 December 2013 $	Period ended 31 December 2012 $
Revenue from continuing operations			
Interest income		97,647	19,915
Total revenue and investment income		97,647	19,915
Expenses			
Audit expense		27,500	22,750
Commissions paid		-	36,875
Consultancy fees		862,967	930,810
Insurance		211,677	116,907
Legal and accounting		151,305	193,774
Impairment loss on mortgage loans	4	4,547,695	13,226,420
Loss on realisation of mortgage loans	4	257,843	-
Other		227,924	43,320
Total expenses		6,286,911	14,570,856
Profit / (loss) before income tax		**(6,189,264)**	**(14,550,941)**
Income tax (expense) / benefit		-	-
Profit / (loss) for the period		**(6,189,264)**	**(14,550,941)**
Other comprehensive income, net of income tax			
Other comprehensive income, net of income tax		-	-
Total comprehensive income, net of income tax		**(6,189,264)**	**(14,550,941)**
Profit / (loss) attributable to members		**(6,189,264)**	**(14,550,941)**
Total comprehensive income attributable to members		**(6,189,264)**	**(14,550,941)**
Earnings per share			
Basic profit / (loss) per share (cents)		(0.63)	(1.72)
Diluted profit / (loss) per share (cents)		(0.63)	(1.72)

The accompanying notes form part of these condensed financial statements.

ASSET RESOLUTION LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	As at 31 December 2013 $	As at 30 June 2013 $
Assets			
Cash	7	6,621,551	2,779,770
Receivables		93,803	283,783
Financial assets - Mortgage loans	4	26,025,705	36,688,375
Total assets		**32,741,059**	**39,751,928**
Liabilities			
Payables		2,018,275	3,486,005
Accrued expenses		175,983	688,466
Other payables		254,083	193,202
Funds held on trust	6	1,097,727	-
Total liabilities		**3,546,068**	**4,367,673**
Net assets		**29,194,991**	**35,384,255**
Equity			
Owners' capital	5	55,405,000	55,405,000
Retained losses		(26,210,009)	(20,020,745)
Total equity		**29,194,991**	**35,384,255**

The accompanying notes form part of these condensed financial statements.

ASSET RESOLUTION LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	Ordinary shares $	Retained earnings $	Total $
Share issue at registration on 8 August 2012	5	1	-	1
Profit (loss) attributable to members		-	(14,550,941)	(14,550,941)
Share issue on 4 September 2012	5	50,465,000	-	50,465,000
Share redemption on 5 September 2012	5	(1)	-	(1)
Share issue on 18 December 2012	5	4,940,000	-	4,940,000
Sub total		55,405,000	(14,550,941)	40,854,059
Dividends paid		-	-	-
Balance at 31 December 2012		**55,405,000**	**(14,550,941)**	**40,854,059**
Balance as at 1 July 2013		55,405,000	(20,020,745)	35,384,255
Profit (loss) attributable to members		-	(6,189,264)	(6,189,264)
Sub total		55,405,000	(26,210,009)	29,194,991
Dividends paid		-	-	-
Balance at 31 December 2013		**55,405,000**	**(26,210,009)**	**29,194,991**

The accompanying notes form part of these condensed financial statements.

ASSET RESOLUTION LIMITED
CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	Half year ended 31 December 2013 $	Period ended 31 December 2012 $
Cash flow from operating activities			
Interest received		97,647	19,915
Payments to suppliers		(1,629,189)	(1,166,532)
Net cash provided by/(used in) operating activities		(1,531,542)	(1,146,617)
Cash flow from investing activities			
Net proceeds from property sales		7,982,683	1,035,212
Net proceeds from legal claims	6	1,097,727	-
Mortgage loan advances and property outgoings		(3,707,087)	(2,275,594)
Cash received on assignment of assets		-	3,743,837
Net cash provided by/(used in) investing activities		5,373,323	2,503,455
Cash flow from financing activities			
Net cash provided by/(used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		3,841,781	1,356,838
Cash and cash equivalents at beginning of the period		2,779,770	-
Cash and cash equivalents at end of the period	7	**6,621,551**	**1,356,838**

The accompanying notes form part of these condensed financial statements.

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

Statement of Compliance

The interim financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The interim report does not include notes of the type normally included in an annual financial report. The period of this interim financial report for the period 1 July 2013 to 31 December 2013, and shall be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed financial statements, except for statements of cash flows, have been prepared on the basis of historical cost. Except where otherwise stated cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian Dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The Condensed 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 reliable and more relevant.

The interim financial statements were authorised for issue on 14 March 2014 by directors of the Company.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for the impact of the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant and effective for the current half-year.

A number of new and revised accounting standard requirements became mandatory for the first time for the half-year period ended 31 December 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 127: Separate Financial Statements (August 2011);
- AASB 11: Joint Arrangements;
- AASB 128: Investments in Associates and Joint Ventures (August 2011);
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;
- AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments;

Accounting Policies (continued)

- AASB 13: Fair Value Measurement; and
- AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13.

These standards became mandatorily applicable from 1 January 2013 and became applicable to the Company for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Company has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for the current half year. Adoption has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior half-years.

(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 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 or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by any changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(d) Financial instruments

(i) Classification

The company classifies its financial assets as Financial assets – mortgage loans. Financial assets – mortgage loans, are non-derivative financial assets which arose when the company purchased mortgage loans in default or mortgagee in possession loans.

(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 – mortgage loans, 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.

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) Critical accounting estimate

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. The 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 value.

(e) Critical accounting estimate (continued)

For those properties that have not been sold, formal external valuations provide the next best comparison. Independent valuations provide a reference for the effective interest method undertaken to determine the carrying value of the mortgage loans. Where the carrying value of an asset has involved an impairment, the loss is recognised in the statement of profit or loss and other comprehensive income.

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 fair 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 fair value is given by current prices in an active market for similar properties in the same location and condition.

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

The fair 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 fair value, with reference to independent valuations of the underlying security assets available at the time and other considerations, as adjusted to reflect the time it is anticipated it will take to sell the underlying security assets, the costs incurred to hold the asset to the point of sale and direct selling costs of the asset.

No value has been assigned to any collateral security held. Whilst this represents the best estimates of fair 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 value recorded in the financial statements or the time taken to sell it may be longer than assumed.

(f) Impairment of assets

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).

(g) 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.

(h) 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 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.

(i) Trade and other payables

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

(j) 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.

(k) 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.

(k) Goods and Services Tax (GST) (continued)

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

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

(l) Going Concern

Whilst the company's recorded loss for the half year is $6,189,264, the company has generated a working capital surplus of $3,169,285. The financial report has been prepared on a going concern basis as the directors believe that with the future income from asset security realisations and continued support of creditors, the company will be able to pay its debts as and when they fall due and payable.

Inherent in the assumption by management is a significant reliance on future results which are driven by an excess of asset security realisations over company operation expenditure and expenses incurred to hold assets. Also inherent in the assumption by management is the continued support from aged creditors in regards to outstanding amounts owed on properties secured.

The appropriateness of the going concern assumption is dependent on the anticipated future net cash surplus provided by investing activities of the company, including the continued realisations of asset securities held by the company and the continued support of creditors. Current net cash surplus of $5,373,323 (31 December 2012 $2,503,455) provided by proceeds from the sale of securities exceeded net outflow from operations of $1,531,542 and contributed a net increase in cash of $3,841,781. This position together with the level of sales contracted subsequent to year end and the ongoing support of creditors fully support the appropriateness of the going concern assumption adopted by directors.

NOTE 2: EVENTS OCCURRING AFTER BALANCE SHEET DATE

Post balance date, ARL entered into the following sale contracts in respect of the Assets:

1. Room 805 (title ref 804) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which settled on 14 February 2014;

2. Room 807 (title ref 805) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which settled on 14 February 2014;

3. Room 809 (title ref 806) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which settled on 14 February 2014;

4. Room 812 (title ref 818) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which settled on 14 February 2014;

5. Room 808 (title ref 820) at the "Outrigger Hotel" Surfers Paradise at a gross price of $99,000 (inclusive of GST) which settled on 24 February 2014;

6. Room 1704 (title ref 1722) at the "Outrigger Hotel" Surfers Paradise at a gross price of $125,000 (inclusive of GST) which settled on 24 February 2014;

7. Room 1702 (title ref 1723) at the "Outrigger Hotel" Surfers Paradise at a gross price of $125,000 (inclusive of GST) which settled on 24 February 2014;

8. Room 1212 (title ref 1218) at the "Outrigger Hotel" Surfers Paradise at a gross price of $108,000 (inclusive of GST) which settled on 7 March 2014;

9. Room 801 (title ref 802) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which is expected to settle on 17 March 2014; and

10. Room 803 (title ref 803) at the "Outrigger Hotel" Surfers Paradise at a gross price of $100,000 (inclusive of GST) which is expected to settle on 24 March 2014.

Post balance date, ARL also received a notice from the liquidators of Octaviar Administration Pty Limited (In Liquidation) that a further interim distribution on admitted claims will be paid on or before 18 April 2014. The liquidators have advised that the dividend is likely to be 1.5 cents in the dollar – this would result in a payment of $2,058,238.56 to ARL.

Other than the above, no other matter or circumstance has arisen since 31 December 2013 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 3: 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 4: FINANCIAL ASSETS - MORTGAGE LOANS

	31 December 2013 $	30 June 2013 $
Opening carrying value	36,688,375	55,405,000
Receipts during period	(7,982,683)	(5,602,757)
Payments during period	2,125,551	4,352,175
Impairment loss on mortgage loans	(4,547,695)	(17,466,043)
Loss on realisation on mortgage loans	(257,843)	-
Balance at the end of the period	26,025,705	36,688,375

* the value of ARL shares issued in consideration for the assigned mortgage loans was determined in accordance with relevant accounting standards

NOTE 5: OWNERS' CAPITAL

	No.	$
Movement in ordinary shares		
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 30 June 2013	980,558,167	55,405,000
Opening balance at 1 July 2013	980,558,167	55,405,000
Movement during the period	-	-
Balance at 31 December 2013	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.

NOTE 6: FUNDS HELD ON TRUST

As outlined in the review of operations the company has been assigned the benefit of PIF's unsecured claim in the liquidation of Octaviar Limited (In Liquidation) and Octaviar Administration Pty Limited (In Liquidation).

On 9 September 2013 the company received $1,097,727 from the liquidators of Octaviar Administration Pty Limited (In Liquidation) of PIF's Proof of Debt which totals $137,215,903. These funds are held on trust with the company's solicitors HWL Ebsworth.

At the time of publication of these account, the company's directors are seeking legal advice about the company's legal entitlement to these proceeds. Accordingly, the proceeds have been consolidated into the company's assets as cash equivalents and a corresponding liability has been raised to reflect the uncertainty about ownership of the funds.

Until such time that the legal advice is received and properly considered by the company's directors it is not appropriate to recognise proceeds of the Proof of Debt claim as revenue attributable to the company.

NOTE 7: CASH

Cash reported comprises both cash and cash equivalents as follows:

	As at 31 December 2013 $	As at 30 June 2013 $
Cash held in ARL-controlled cheque accounts	1,417,418	16,111
Cash held in ARL-controlled term deposit	4,000,000	2,662,916
Cash held in HWL Ebsworth Trust Account	1,204,133*	100,743
Total	**6,621,551**	**2,779,770**

* Includes $1,097,727 distribution from the liquidations of Octaviar Administration Pty Limited (In Liquidation) – Note 6.

NOTE 8: RELATED PARTY TRANSACTIONS

Director Shareholding

Directors of ARL do not hold any shares in ARL.

lawler hacketts chartered accountants

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

We have reviewed the accompanying interim financial report of Asset Resolution Limited, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the interim half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim 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 interim 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 2013 and its performance for the interim half year period 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 an interim 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.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Asset Resolution Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the interim half year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Lawler Hacketts

LAWLER HACKETTS AUDIT

Liam Murphy
Partner
Brisbane, 14 March 2014