

**Ask Funding Limited ABN 22 094 503 385**  
**Appendix 4E - 30 June 2016**

**Preliminary Final Report**  
**Lodged with the ASX under listing Rule 4.3A**

**Ask Funding Limited**  
**For The year ended 30 June 2016**  
(Previous corresponding period: year ended 30 June 2015)

<b>Results for Announcement to the Market</b>		<b>%</b>	<b>30 June 2016 \$000's</b>	<b>30 June 2015 \$000's</b>
<b>Revenue</b> from ordinary activities (net interest, fee and other income)	down	28	1,712	2,393
<b>Loss</b> from ordinary activities after tax attributable to members	up	54	1,088	506
<b>Loss</b> for the period attributable to members	up	54	1,088	506

<b>Dividends / Distributions</b>	<b>Amount per Security</b>	<b>Franked amount per Security</b>	<b>Date Paid</b>
<b>30 June 2016</b>			
Final Dividend	-	-	-
Interim Dividend	-	-	-
<b>30 June 2015</b>			
Final Dividend	4.245	100%	31 July 2014
Interim Dividend	-	-	-

<b>Key Ratios</b>	<b>30 June 2016 cents</b>	<b>30 June 2015 cents</b>
Basic loss per share	(1.65)	(0.77)
Net tangible assets per share	6.8	8.5

<b>Control Gained or Lost over Entities</b>
N/A

<b>Associates and Joint Ventures</b>
N/A

<b>Foreign Entities and Accounting Framework</b>
N/A

*Refer to the Annual Report for the period ended 30 June 2016 including the Review of operations and the results of those operations contained within the Directors' Report for further explanations where applicable.*

*This report is based on the financial statements which have been audited by Grant Thornton.*

**Ask Funding Limited**  
**Income Statement**  
For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Interest income		1,646,135	2,226,784
Interest expense		-	(8)
<b>Net interest income</b>		<b>1,646,135</b>	<b>2,226,776</b>
<b>Fee income</b>		<b>65,643</b>	<b>153,182</b>
<b>Other operating gains</b>		<b>-</b>	<b>13,250</b>
<b>Expenses</b>			
Employee benefits expense		(155,880)	(251,077)
Impairment of loans and advances	9	(1,962,519)	(1,691,265)
Loan recovery expenses		(295,925)	(516,071)
IT expenses		(20,894)	(52,422)
General and administrative expenses			
Accounting and audit expenses		(128,042)	(190,642)
Insurance		(49,031)	(43,854)
Share related expenses		(82,002)	(60,548)
Telecommunications		(16,510)	(28,702)
Other general and administrative expenses		(89,251)	(64,924)
<b>Loss before income tax</b>		<b>(1,088,276)</b>	<b>(506,297)</b>
<b>Income tax expense</b>		<b>-</b>	<b>-</b>
<b>Loss for the year</b>		<b>(1,088,276)</b>	<b>(506,297)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share</b>			
Basic loss per share	7	(1.65)	(0.77)
Diluted loss per share	7	(1.65)	(0.77)

*The above income statement should be read in conjunction with the accompanying notes.*

**Ask Funding Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2016**

	Contributed equity	Share based payments reserve	Profits reserve	Retained losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	<b>18,595,828</b>	-	<b>11,435</b>	<b>(8,399,944)</b>	<b>10,207,319</b>
Loss	-	-	-	(506,297)	(506,297)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(506,297)</b>	<b>(506,297)</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Return of capital	(1,299,983)	-	-	-	(1,299,983)
Transfers to profits reserves	-	-	2,818,442	(2,818,442)	-
Dividends to equity holders	-	-	(2,799,812)	-	(2,799,812)
<b>Balance at 30 June 2015</b>	<b>17,295,845</b>	<b>-</b>	<b>30,065</b>	<b>(11,724,683)</b>	<b>5,601,227</b>

	Contributed equity	Share based payments reserve	Profits reserve	Retained losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>17,295,845</b>	-	<b>30,065</b>	<b>(11,724,683)</b>	<b>5,601,227</b>
Loss	-	-	-	(1,088,276)	(1,088,276)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,088,276)</b>	<b>(1,088,276)</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Return of capital	-	-	-	-	-
Transfers to profits reserves	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>17,295,845</b>	<b>-</b>	<b>30,065</b>	<b>(12,812,959)</b>	<b>4,512,951</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Ask Funding Limited**  
**Statement of financial position**  
**As at 30 June 2016**

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
Cash and cash equivalents	8	918,484	655,821
Net loans and advances	9	3,599,171	5,044,318
Other assets	11	77,177	9,899
<b>Total Assets</b>		<b>4,594,832</b>	<b>5,710,038</b>
<b>LIABILITIES</b>			
Trade and other payables	12	81,881	108,811
<b>Total Liabilities</b>		<b>81,881</b>	<b>108,811</b>
<b>Net Assets</b>		<b>4,512,951</b>	<b>5,601,227</b>
<b>EQUITY</b>			
Contributed equity		17,295,845	17,295,845
Reserves		30,065	30,065
Retained losses		(12,812,959)	(11,724,683)
<b>Total Equity</b>		<b>4,512,951</b>	<b>5,601,227</b>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Ask Funding Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2016**

	Notes	<b>2016</b> \$	2015 \$
<b>Cash flows from operating activities</b>			
Interest and fees received		<b>783,506</b>	2,575,876
Interest paid		-	(8)
Payments to suppliers and employees		<b>(931,603)</b>	(1,262,169)
<b>Net cash inflow from operating activities</b>	22	<b>(148,097)</b>	1,313,699
<b>Cash flows from investing activities</b>			
Loans repaid by clients		<b>410,760</b>	1,379,424
<b>Net cash inflow from investing activities</b>		<b>410,760</b>	1,379,424
<b>Cash flows from financing activities</b>			
Dividends paid		-	(2,799,812)
Return of capital		-	(1,299,983)
<b>Net cash outflow from financing activities</b>		-	(4,099,795)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>262,663</b>	(1,406,672)
Cash and cash equivalents at the beginning of the financial year		<b>655,821</b>	2,062,493
<b>Cash and cash equivalents at end of year</b>		<b>918,484</b>	655,821

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

# **Ask Funding Limited**

ABN 22 094 503 385

## **Annual report for the year ended 30 June 2016**

<b>Registered Office</b>	C/- Sandon Capital Pty Ltd Level 11, 139 Macquarie Street SYDNEY NSW 2000
<b>ABN</b>	22 094 503 385
<b>Websites</b>	<a href="http://www.askfunding.com.au">www.askfunding.com.au</a>
<b>Board of Directors</b>	Mr Gabriel Radzynski Independent Non-Executive Director  Mr Russell E Templeton LLB Independent Non-Executive Director  Mr James Chirnside Independent Non-Executive Director
<b>Secretary</b>	Mr Mark Licciardo
<b>Share Registry</b>	Computershare Investor Services Pty Ltd 117 Victoria Street West End BRISBANE QLD 4101  Telephone: 1300 552 270 (within Australia) + 61 3 9415 4000 (outside Australia) Facsimile: 1800 786 447 (within Australia) + 61 3 8473 2555 (outside Australia)
<b>Auditor</b>	Grant Thornton Level 18, 145 Ann Street BRISBANE QLD 4000
<b>Stock Exchange</b>	Australian Securities Exchange BRISBANE QLD 4000 ASX Code: AKF



# **Ask Funding Limited ABN 22 094 503 385**

## **Annual Report - 30 June 2016**

**Lodged with the ASX under listing Rule 4.3A**

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## Directors' report

Your directors present their report on the Company at the end of the year ended 30 June 2016.

### 1 Directors

The directors of the Company at any time during or since the end of the financial year are:

**Mr Kenneth R Rich B Com, MBA**

Independent Non-Executive Director since 24 January 2005. Resigned 15 September 2015. Age 71.  
Chairperson since 1 July 2006. Resigned 15 September 2015.

*Experience and expertise*

Mr Rich is a business and financial management specialist. He is a Certified Management Consultant and is a member of the Institute of Management Consultants.

*Other current listed company directorships*

Nil

*Former listed company directorships in last 3 years*

Nil

*Special responsibilities*

Nil

**Mr Russell E Templeton LLB**

Managing Director since 16 November 2004. Resigned 31 May 2015. Age 60.  
Independent Non-Executive Director since 1 June 2015.

*Experience and expertise*

Mr Templeton has been in practice as a lawyer for over twenty years, has extensive commercial and litigation experience and has also been involved with a network of legal practitioners; owned licensed commercial agencies; and been consultant to and then Chief Operating Officer and Chief Executive Officer of Collection House Limited, an ASX listed debt portfolio manager.

*Other current listed company directorships*

Nil

*Former listed company directorships in last 3 years*

Nil

*Special responsibilities*

Nil

**Mr Misha Collins CFA**

Independent Non-Executive Director since 11 October 2010. Resigned September 2015. Age 42.

*Experience and expertise*

Mr Collins was employed by BT Funds Management for an 11 year period as an equity analyst covering both domestic and international markets, together with the formulation of capital market strategies and commodity forecasting. Since 2008, he has been operating his own investment, trading and consulting business.

Mr Collins holds a Bachelor of Engineering in Metallurgy, graduating with First Class Honours from the RMIT University, a Graduate Certificate in Banking and Finance from Monash University and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia. He also completed the CFA program with the US based CFA Institute and has been awarded the Chartered Financial Analyst designation (CFA).

*Other current listed company directorships*

Sihayo Gold Limited from July 2008.

*Former listed company directorships in last 3 years*

Nil.

*Special responsibilities*

Nil.

## 1 Directors (continued)

### Mr Gabriel Radzynski

Independent Non-Executive Director since 15 September 2015.  
Chairperson since 15 September 2015. Age 45.

#### *Experience and expertise*

Mr Radzynski is the founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management and advisory firm. He is the portfolio manager of the Sandon Capital Activist Fund, a fund targeting underperforming companies. Mr Radzynski is Chairman of Sandon Capital Investments Limited.

#### *Other current listed company directorships*

Future Generation Investment Fund Limited  
Mercantile Investment Company Limited

#### *Former listed company directorships in last 3 years*

Nil

#### *Special responsibilities*

Nil

### Mr James Chirnside

Independent Non-Executive Director since 15 September 2015. Age 55.

#### *Experience and expertise*

Mr Chirnside is Managing Director of Dart Mining NL. Mr Chirnside has been exclusively focused on investment management for thirty years in Sydney, Hong Kong, London, and Melbourne.

Mr Chirnside ran Asia Pacific Asset Management (APAM) between 2002 to 2012. APAM was an Australian and Asian equities fund, and Fund Manager. From 2000 – 2001 he worked for Challenger Financial Group in Sydney as a product development manager responsible for hedge fund investments. During the 1990's James managed emerging market hedge funds in Hong Kong and London for Regent Fund Management – now AIM listed Charlemagne Capital. Between 1988 and 1992 James ran a Propriety trading book for County NatWest Investment Bank, based in London. Here he was primarily focused on County Funds and derivative arbitrage strategies.

#### *Other current listed company directorships*

Dart Mining NL  
Cadence Capital Limited  
WAM Capital Limited  
Mercantile Investment Company Limited

#### *Former listed company directorships in last 3 years*

Nil

#### *Special responsibilities*

Nil

## 2 Company Secretary

Mr Mark Licciardo was appointed to the position of Company Secretary on 17 September 2015 with Mr Templeton's resignation from this position.

Mark is a Managing Director of Mertons Corporate Services Pty Ltd which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark is a former Chairman of the Governance Institute Australia (GIA) in Victoria, former Chairman of the Melbourne Fringe Festival, a fellow of GIA, a graduate member of the Australian Institute of Company Directors (AICD) and a Director of several public and private companies.

### 3 Meetings of directors

As advised to the Market on 31 August 2012, since the board membership consisted of only three persons the Committee process was suspended after 31 August 2012 with all matters formerly considered by committees being dealt with by the full board.

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings	
	A	B
Mr Kenneth Rich	6	6
Mr Russell Templeton	9	9
Mr Misha Collins	6	6
Mr Gabriel Radzynski	3	3
Mr James Chirnside	3	3

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

### 4 Directors' and executive officers' remuneration report (audited)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration and details of remuneration
- B Other transactions with key management personnel
- C Share-based compensation
- D Equity instrument disclosures relating to key management personnel
- E Consequences of performance on shareholder wealth
- F Voting at the Company's 2015 Annual General Meeting

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

#### A Principles used to determine the nature and amount of remuneration and details of remuneration

Mr Russell Templeton, the former Managing Director and CEO, had his contract terminated effective 31 December 2013 as noted in the previous Annual Report. The Company has secured the services of Mr Templeton on an outsourced arrangement to a business controlled by Mr Templeton to assist with the run-down of the loan books. This was determined to be the optimal way forward as it retains the corporate knowledge and provides consistency. Key elements are:

- the arrangement is month to month and has no fixed term;
- the contract is for a fixed fee of \$5,500 (inclusive of GST) per month;
- either party may terminate the contract by giving three months' notice in writing to the other party;
- in addition to agreed consulting fees Mr Russell Templeton was paid an additional \$27,069 (2015: \$60,500) for services provided outside the scope of the original consulting agreement. These services were billed based on normal market rates for such services and were due and payable under normal payment terms.

Mr Brian Gebauers, the former General Manager, Compliance and Special Projects was made redundant on 29 March 2013. The Company has secured the services of Mr Gebauers on an outsourced arrangement to a business controlled by Mr Gebauers to assist with the run-down of the loan books. Key elements are:

- the arrangement is month to month and has no fixed term;
- the contract is for a fixed fee of \$3,300 (inclusive of GST) per month;
- either party may terminate the contract by giving two months' notice in writing to the other party.

**4 Directors' and executive officers' remuneration report (audited) (continued)**

**A Principles used to determine the nature and amount of remuneration and details of remuneration (continued)**

*Non-executive directors*

Total compensation for all non-executive directors, last voted upon by shareholders at the Annual General Meeting held on 21 November 2007, is not to exceed \$250,000 per annum with that sum to be divided amongst the directors in such manner and proportion as they agree. Non-executive directors do not receive any performance-linked compensation. Director's fees cover all main board activities including membership of board committees.

**4 Directors' and executive officers' remuneration report (audited) (continued)**

**A Principles used to determine the nature and amount of remuneration and details of remuneration (continued)**

Details of the remuneration of the directors, each of the named Company executives who receive the highest remuneration and other key management personnel (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

Name		Short-term employee benefits				Post-employment benefits	Termination benefits	Equity-settled share-based payments	Total	S300A(1)(e)(i) proportion of remuneration performance related%*	S300A(1)(e)(vi) Value of options as proportion of remuneration %*
		Cash salary and fees (i) \$	STI Cash bonus (ii) \$	Non monetary benefits (iii) \$	Total \$	Super-annuation \$	Termination benefits (v) \$	Options (iv) \$		%	%
<b>Non-executive directors</b>											
K Rich	2016	10,999	-	-	10,999	-	-	-	10,999	-%	-%
	2015	43,996	-	-	43,996	-	-	-	43,996	-%	-%
M Collins	2016	11,000	-	-	11,000	-	-	-	11,000	-%	-%
	2015	46,200	-	-	46,200	-	-	-	46,200	-%	-%
G Radzynski	2016	-	-	-	-	-	-	-	-	-%	-%
	2015	-	-	-	-	-	-	-	-	-%	-%
J Chirside	2016	-	-	-	-	-	-	-	-	-%	-%
	2015	-	-	-	-	-	-	-	-	-%	-%
<b>Executive directors</b>											
R Templeton Managing Director, CEO	2016	137,069	-	-	137,069	-	-	-	137,069	-%	-%
	2015	176,550	-	-	176,550	-	-	-	176,550	-%	-%

(i) includes salary (excluding superannuation), salary sacrificed benefits and leave provisions.

(ii) STI relates to performance in the current financial year.

(i) includes the value of goods and services provided including fringe benefits tax.

(ii) The fair value of the options is calculated using Black-Scholes and Binomial option pricing models and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

(v) includes redundancy provisions.

\* Since the performance related remuneration has been provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

#### 4 Directors' and executive officers' remuneration report (audited) (continued)

##### **B Other transactions with key management personnel**

There were no other transactions involving key management personnel.

##### **C Share-based compensation**

No options have been granted during the years ended 30 June 2016 or 30 June 2015.

##### **D Equity instrument disclosures relating to key management personnel**

###### *(i) Options provided as remuneration*

No options have been granted during the years ended 30 June 2016 or 30 June 2015.

###### *(ii) Option holdings*

The Ask Funding Limited Executive Option Scheme was established during the financial year ended 30 June 2008.

There was no movement during the reporting period in the number of options over ordinary shares in Ask Funding Limited held, directly, indirectly or beneficially, by key management person.

All vested options are not exercisable at the end of the year due to the qualifying company share price hurdle not being reached for exercising of the options.

###### *(iii) Share holdings*

The numbers of ordinary shares in the Company held by each director of Ask Funding Limited and other key management personnel, including their personally-related entities, are set out below.

2016	Balance at the start of the year	Purchases / (Sales)	Other changes	Balance at the end of the year
Name				
<b>Directors</b>				
K Rich	104,414	(104,414)	-	-
R Templeton	43,890	(43,890)	-	-
G Radzynski	-	-	-	-
J Chirside	-	-	-	-

2015	Balance at the start of the year	Purchases / (Sales)	Other changes	Balance at the end of the year
Name				
<b>Directors</b>				
K Rich	104,414	-	-	104,414
R Templeton	2,029,652	(1,985,762)	-	43,890
G Radzynski	-	-	-	-
J Chirside	-	-	-	-

No shares were granted to key management personnel as compensation during the financial year or the previous financial year.

No shares were issued on the exercise of options during the financial year or the previous financial year.

## **E Consequences of performance on shareholder wealth**

### *Performance of Ask Funding Limited*

The following table sets out summary information about the Company's earnings and movements in shareholder value for the past five financial years.

	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$	Year ended 30 June 2014 \$	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
<b>Earnings</b>					
Net interest and fee income	1,711,778	2,379,958	2,879,806	4,360,406	7,232,795
Loss before tax*	(1,088,276)	(506,297)	(1,174,390)	(810,144)	(551,601)
Loss per share	(0.0165)	(0.0077)	(0.0178)	(0.0123)	(0.0084)
<b>Shareholder Value</b>					
Share price	0.038	0.068	0.150	0.120	0.150
Dividends (paid/declared)	-	0.0425	0.0150	-	-

## **F Voting at the Company's 2015 Annual General Meeting**

At the 2015 Annual General Meeting, 2.35% of the votes cast at the meeting rejected the adoption of the remuneration report.

## **5 Principal activities**

Consistent with the run-off strategy approved by Shareholders at the 2011 Annual General Meeting the Company engaged in no lending activities in the reporting period.

The Company's activities since the closure of all loan books has been limited to the servicing and amortising of its loan books with the sole objective of distributing all surplus funds to shareholders.

## **6 Review of operations**

The company has continued to service and amortise its loan book with the sole objective of delivering the surplus funds to shareholders at the earliest possible time. The Company's loan book remains permanently closed to new loans.

### *Basis of preparation of financial statements – orderly realisation of assets and settlement of liabilities*

Given the orderly run-off and closure of the Company's loan books, the directors consider it appropriate to prepare the financial report for the year ended 30 June 2016 on an orderly realisation of assets and settlement of liabilities basis over the period required to achieve an orderly realisation of assets and liabilities ("orderly realisation basis"), rather than a going concern basis.

### *Loan book Size and Split by Product*

The gross loan book contracted by 4% to \$8.5 million from \$8.8 million in the previous corresponding year. This decrease reflects the suspension of lending in year ended 2012 as a consequence of the Company's run-off strategy.

The net loan book contracted 29% to \$3.6 million from \$5.0 million at the end of the previous financial year reflecting the closure of all loan books to further advances.

The net loan book split by product and the underlying trend is highlight in the following table:

	30 June 2016	30 June 2015	30 June 2014
Disbursement Funding	5%	9%	25%
Personal Injury	23%	26%	28%
Matrimonial	65%	60%	45%
Inheritance Funding	7%	5%	1%



## 6 Review of operations (continued)

### *Impairment of loans and advances*

The balance of the impairment of loans and advances as at 30 June 2016 was \$4.92 million, an increase by 27% from the previous year of \$3.80 million.

Impairment in the Personal Injury product during the period has been in line with the previous two reporting periods.

Impairment in the Disbursement Funding loan book has remained low and reflects interest and fees not recoverable under some law firm guarantees.

The nature of the loan books, the underlying legal matters and security provided, is such that it is difficult to group the loans on the basis of risk characteristics. Accordingly impairment in respect of these loan books continues to be determined on an individual case by case basis after taking account of the likely time to settlement and/ potential further deterioration in asset pool values.

In the notes to the Financial Statements forming part of the Company's 30 June 2015 Annual Report, reference was made to a Single Matrimonial Loan in Western Australia with a net carrying value at 30 June 2015 of \$2.0 million.

On 14<sup>th</sup> May 2015 the Company advised the Market that it had settled a legal dispute with a borrower and guarantors in relation to a large Single Matrimonial Loan on the following basis:

- that the borrower and the guarantor agreed to pay the sum of \$2.0 million on or before 15th January 2016;
- that in the event that this sum was not paid the borrower and the guarantors consented to judgment being entered against them in favour of the Company for the sum of \$2.5 million;
- the security granted in favour of the Company by the borrower and guarantors remain in place.

On the 3 February 2016 the Company advised the Market that the borrower and the guarantors failed to pay the sum of the \$2.0 million on or before 15 January 2016.

As a result, the Company has now entered judgement against the borrower and the guarantors in the Supreme Court of Western Australia for the sum of \$2.5 million. The Company is currently exploring the avenues available to it to satisfy this judgement.

The net carrying value of this loan as at 30 June 2015 was \$2.0 million and this remains the current net carrying value.

### *Operating Costs*

The Board continued to review the Company's operating costs throughout the financial year with a view to effecting savings.

### *Outlook*

At the Company's Annual General Meeting on 29 November 2011 the shareholders approved the run-off and the closure of the Company's loan books to new loans. This closure was effected on 31 January 2012. Accordingly, the Company's future activities are limited to the servicing and amortising of its loan books with the objective of distributing all surplus funds to shareholders.

To date the company has returned \$5.00 million to shareholders by way of franked dividends or return of capital. However, the current size of the net loan book and the unpredictable and inconsistent cash flow derived from the loan book makes it very difficult for the Board to predict the likely amount and timing of future distributions to shareholders.

To ensure that the net loan book reflects the likely ultimate recovery of funds from receivables not yet collected, the company has suspended the accrual of interest on a substantial proportion of the Company's Loan Book as part of its specific provisioning. As a result of this, revenue derived from the loan book has decreased and will continue to do so. Revenue will also continue to decline as a result of repayment of loans.

As previously reported to the Market the Board has progressively reduced the Company's cost base in line with the rundown of receivables. The Board considers it unlikely that it will be able to further reduce the Company's cost base whilst it remains listed on the Australian Stock Exchange. The Board continues to closely monitor the Company's revenue, cost base and cash flow to ensure operational viability. In the event that the Board concludes that the Company is no longer operationally viable, it will seek the removal of the Company from the official list of the Australian Stock Exchange.

## 6 Review of operations (continued)

### Review of financial performance and position

#### *Operating loss after tax*

The results for the year ended 30 June 2016 attributable to the members of the Company are:

	30 June 2016 \$000	30 June 2015 \$000
Revenue (net interest and fee income)	1,712	2,393
Expenses, excluding impairment and recovery expenses	(542)	(692)
Impairment of loans and advances	(1,963)	(1,691)
Loan recovery expenses	(295)	(516)
Loss before income tax	(1,088)	(506)
Income tax benefit / (expense)	-	-
Net loss attributable to members	(1,088)	(506)

The result reflects the closure of the Company's loan books and the run-off strategy previously adopted by the Company. Operating expenses have decreased by 22% to \$0.54 million, whilst gross interest and fees have decreased by 28% over the previous year.

## 7 Significant changes in the state of affairs

On 15 September 2015 the Company became a subsidiary Mercantile OFM Pty Ltd (ACN 120221623) a wholly owned subsidiary of Mercantile Investment Company Limited (ACN 121415576 (ASX Code MVT)), who appointed 2 new directors, namely Mr Radzynski and Mr Chirside, immediately following the resignation of Mr Rich, and Mr Collins.

There have been no other significant changes in the state of affairs of the Company during the year other than those disclosed in this report.

## 8 Dividends - Ask Funding Limited

No dividends have been paid since 31 July 2014.

## 9 Events subsequent to reporting date

No transactions or events of a material and unusual nature has arisen, which in the opinion of the directors of the Company is likely to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

## 10 Likely developments and expected results of operations

The Company will continue to service and amortise its loan book with the sole objective of returning surplus funds to shareholders. The Company will continue to manage the run-off of the remaining loan book.

The continued run-off of all loan books as referred to above will result in the contraction of the loan book and the revenue of the business will decline over time consistent with this contraction.

## 11 Share options

### Options granted to directors and officers of the Company Unissued shares under options

There are no options over unissued shares as at 30 June 2016.

## 12 Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ask Funding Limited	
	Ordinary shares	Options over ordinary shares
K Rich	-	-
R Templeton	-	-
G Radzynski	-	-
J Chirnside	-	-

## 13 Indemnification and insurance of officers and auditors

The Directors of the Company are insured against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving wilful breach of duty in relation to the Company or the improper use by Directors of their position. This insurance cover is provided under the terms of a policy held by the Mercantile Investments Limited the parent of the Company's major shareholder (Mercantile OFM Pty Ltd)

Details of the amount of the premium paid in respect of the insurance policies are not disclosed.

The Company has agreed to indemnify its directors and the directors of its controlled entities against any liability to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and as directors of its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not entered into any agreement with their current auditors, Grant Thornton, indemnifying against claims from third parties arising from their report on the annual report, or their position as auditor.

In September 2015 Ask Funding Limited paid a premium for "run off" insurance to cover its former directors and officers against liabilities incurred by such an officer to the extent permitted by the Corporations Law 2001. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the premium.

## 14 Non-audit services

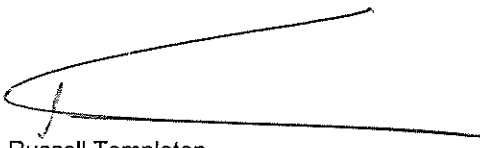
Details of the amounts paid to the auditor of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	2016 \$	2015 \$
<b>1. Audit services</b>		
Audit and review of financial reports:		
<i>Grant Thornton</i>	40,442	36,300
<i>KPMG Australia</i>	-	57,400
<b>Total remuneration for audit services</b>	<u>40,442</u>	<u>93,700</u>
<b>2. Non-audit services</b>		
Other assurance, taxation and corporate advisory services:		
<i>Grant Thornton</i>	990	-
<b>Total remuneration for non-audit services</b>	<u>990</u>	<u>-</u>

**15 Lead auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

This report is made in accordance with a resolution of directors.



Russell Templeton  
Director

Brisbane, 29 August 2016



Grant Thornton

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**Auditor's Independence Declaration  
To the Directors of Ask Funding Ltd**

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

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

Andrew Newman  
Partner - Audit & Assurance

Brisbane, 29 August 2016

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## **Corporate governance statement**

The Corporate Governance Statement is available on the company's website [www.askfunding.com.au](http://www.askfunding.com.au).

**Ask Funding Limited**  
**Income Statement**  
For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Interest income		1,646,135	2,226,784
Interest expense		-	(8)
<b>Net interest income</b>		<b>1,646,135</b>	<b>2,226,776</b>
<b>Fee income</b>		<b>65,643</b>	<b>153,182</b>
<b>Other operating gains</b>		<b>-</b>	<b>13,250</b>
<b>Expenses</b>			
Employee benefits expense		(155,880)	(251,077)
Impairment of loans and advances	9	(1,962,519)	(1,691,265)
Loan recovery expenses		(295,925)	(516,071)
IT expenses		(20,894)	(52,422)
General and administrative expenses			
Accounting and audit expenses		(128,042)	(190,642)
Insurance		(49,031)	(43,854)
Share related expenses		(82,002)	(60,548)
Telecommunications		(16,510)	(28,702)
Other general and administrative expenses		(89,251)	(64,924)
<b>Loss before income tax</b>		<b>(1,088,276)</b>	<b>(506,297)</b>
<b>Income tax expense</b>		<b>-</b>	<b>-</b>
<b>Loss for the year</b>		<b>(1,088,276)</b>	<b>(506,297)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share</b>			
Basic loss per share	7	(1.65)	(0.77)
Diluted loss per share	7	(1.65)	(0.77)

*The above income statement should be read in conjunction with the accompanying notes.*

**Ask Funding Limited**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2016**

	Notes	2016 \$	2015 \$
Loss for the year		(1,088,276)	(506,297)
Total comprehensive loss for the year		<u>(1,088,276)</u>	<u>(506,297)</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*



**Ask Funding Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2016**

	Contributed equity	Share based payments reserve	Profits reserve	Retained losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	18,595,828	-	11,435	(8,399,944)	10,207,319
Loss	-	-	-	(506,297)	(506,297)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(506,297)</b>	<b>(506,297)</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Return of capital	(1,299,983)	-	-	-	(1,299,983)
Transfers to profits reserves	-	-	2,818,442	(2,818,442)	-
Dividends to equity holders	-	-	(2,799,812)	-	(2,799,812)
<b>Balance at 30 June 2015</b>	<b>17,295,845</b>	<b>-</b>	<b>30,065</b>	<b>(11,724,683)</b>	<b>5,601,227</b>

	Contributed equity	Share based payments reserve	Profits reserve	Retained losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	17,295,845	-	30,065	(11,724,683)	5,601,227
Loss	-	-	-	(1,088,276)	(1,088,276)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,088,276)</b>	<b>(1,088,276)</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Return of capital	-	-	-	-	-
Transfers to profits reserves	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>17,295,845</b>	<b>-</b>	<b>30,065</b>	<b>(12,812,959)</b>	<b>4,512,951</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Ask Funding Limited**  
**Statement of financial position**  
**As at 30 June 2016**

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
Cash and cash equivalents	8	918,484	655,821
Net loans and advances	9	3,599,171	5,044,318
Other assets	11	77,177	9,899
<b>Total Assets</b>		<u>4,594,832</u>	<u>5,710,038</u>
<b>LIABILITIES</b>			
Trade and other payables	12	81,881	108,811
<b>Total Liabilities</b>		<u>81,881</u>	<u>108,811</u>
<b>Net Assets</b>		<u>4,512,951</u>	<u>5,601,227</u>
<b>EQUITY</b>			
Contributed equity		17,295,845	17,295,845
Reserves		30,065	30,065
Retained losses		(12,812,959)	(11,724,683)
<b>Total Equity</b>		<u>4,512,951</u>	<u>5,601,227</u>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Ask Funding Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2016**

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Interest and fees received		783,506	2,575,876
Interest paid		-	(8)
Payments to suppliers and employees		(931,603)	(1,262,169)
<b>Net cash inflow from operating activities</b>	22	<u>(148,097)</u>	<u>1,313,699</u>
<b>Cash flows from investing activities</b>			
Loans repaid by clients		410,760	1,379,424
<b>Net cash inflow from investing activities</b>		<u>410,760</u>	<u>1,379,424</u>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(2,799,812)
Return of capital		-	(1,299,983)
<b>Net cash outflow from financing activities</b>		<u>-</u>	<u>(4,099,795)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>262,663</b>	<b>(1,406,672)</b>
Cash and cash equivalents at the beginning of the financial year		<u>655,821</u>	<u>2,062,493</u>
<b>Cash and cash equivalents at end of year</b>		<u><b>918,484</b></u>	<u><b>655,821</b></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## Contents of the notes to the financial statements

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## 1 Significant accounting policies

Ask Funding Limited (the "Company") is a company domiciled in Australia. The Company is a for-profit entity. The nature of the operations and principal activities of the Company are described in the Directors' Report.

### (a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASB's') adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards ('IFRS's') adopted by the International Accounting Standards Board ('IASB').

The financial statements were authorised for issue by the Board of Directors on 31 August 2016.

### (i) Basis of preparation - orderly realisation of assets and settlement of liabilities

The financial statements for the year ended on 30 June 2016 have not been prepared on a going concern basis and have been prepared on an alternate basis of an orderly realisation of the Company's assets and settlement of its liabilities over the period required to achieve an orderly realisation of the assets and settlement of liabilities ("orderly realisation basis").

In preparing the financial statements on an orderly realisation basis, the Directors have continued to consider the requirements of Australian Accounting Standards taking into account that the Company is not expected to continue as a going concern in the future. No additional provisions or liabilities have been recognised as a result of the orderly realisation as the Directors have not incurred any additional legal or contractual obligations.

The recoverability of the Company's loans receivable is dependent upon realising these loans from the sale and/or settlement of the underlying action funded. The recoverability of loan receivables has been analysed on an individual loan basis and an impairment charge has been recognised in the financial statements for the estimated difference between the face value of the loan receivable and the amount expected to be realised.

Given the estimation and judgement uncertainties involved in assessing asset carrying values on an orderly realisation basis, it is likely that there may be differences between the amounts at which assets are recorded in the financial statements at 30 June 2016 and the amounts that are actually realised and such differences may be material.

### (ii) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

### (iii) Basis of measurement

The financial statements have been prepared on a historical cost basis except for share based payments which are measured at fair value.

### (iv) Early adoption of standards and interpretations

The Company has not elected to adopt any accounting standards or amendments to standards or interpretations issued prior to the date of this report where application is not mandatory for the year ended 30 June 2016. Management has considered the accounting standards that have been issued but are not yet effective and do not anticipate any having a significant impact on the financial statements.

## 1 Significant accounting policies (continued)

### (v) *Critical accounting estimates*

The preparation of financial statements in conformity with AASB's 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 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (vi) *Application*

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and have been applied consistently by Company.

### (b) Principles of consolidation

The Company is no longer part of a consolidated Group as at 1 October 2014 with the deregistration of Arc Legal Pty Ltd.

### (c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purpose of the statement of cash flows.

### (d) Foreign Currency

#### (i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currencies at the respective exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

### (e) Financial Instruments

#### (i) *Non-derivative financial assets*

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cashflows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **1 Significant accounting policies (continued)**

### **(e) Financial Instruments (continued)**

#### **(i) Non-derivative financial assets (continued)**

##### *Loans and advances*

Loans and advances are measured at amortised cost using the effective interest method less any impairment losses.

The amortised cost is the amount at which a financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

#### **(ii) Non-derivative financial liabilities**

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: interest-bearing loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

### **(f) Share Capital**

#### **(i) Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

#### **(ii) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

### **(g) Fair value**

#### **(i) Other receivables and trade payables**

The carrying value of other receivables and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

## 1 Significant accounting policies (continued)

### (h) Impairment

#### (i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

All impairment losses are recognised in profit and loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in other comprehensive income is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

#### (ii) Impairment of Loans and Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired.

The impairment loss is measured as the difference between the carrying amount of the loan or advance, including the security held and the expected future cash flows.

##### *Specific provision*

Impairment losses on loans and advances are determined on a case by case basis. Each borrower is subjected to a regular and intensive assessment for the identification and quantification of impairment. Following this assessment, if there is evidence that a loan or advance is impaired, then a specific impairment is raised. Any subsequent write-offs are then made against the specific provision for unrecoverable loans.

#### (iii) Non-financial assets

The carrying amount of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.



## 1 Significant accounting policies (continued)

### (h) Impairment (continued)

#### (iii) *Non-financial assets (continued)*

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss has decreased or no longer exists and if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### (j) Revenues

##### (i) *Interest income*

Interest income is recognised in the income statement using the effective interest method.

##### (ii) *Fee income*

Fee income, including account servicing and reassessment fees are recognised as the related services are performed.

Notwithstanding the fact that Company policy is to determine all fees received by reference to reimbursement of actual costs, for accounting purposes ascertainable fees received are recognised as interest income under the effective interest rate method.

##### (iii) *Dividend income*

Dividend income is recognised when the right to receive the income is established, which in the case of quoted securities is the ex-dividend date.

#### (k) Expenses

##### (i) *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

##### (ii) *Interest expense*

Interest expense is calculated using the effective interest method.

## **1 Significant accounting policies (continued)**

### **(l) Income Tax**

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantially enacted at the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **(m) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST 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 GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **(n) Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares which comprises convertible notes and share options granted to employees.

## **1 Significant accounting policies (continued)**

### **(o) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segments' operating results are regularly reviewed by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The allocations recognise that whilst costs may have been incurred by the Company, they may relate to the operating activities of another geographical segment. Unallocated items comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### **(p) New accounting standards and interpretations**

Given that an alternate basis has been used in the preparation of the financial statements, the Company has considered new standards but none have resulted in a change to the basis of preparation.

## **2 Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework.

The Board of Directors is also responsible for risk management policies which are established to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The key objective of these policies is to mitigate these risks, reduce volatility on financial performance, to ensure sufficient liquidity is maintained at all times to meet the Company's obligations and execute the Company's operational strategy whilst optimising investment return for shareholders.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

There have been no significant changes in the types of financial risks the Company is exposed to since the prior year.

### **(a) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's financial position through fluctuations in the fair value or future cashflows of financial instruments.

#### **(i) Foreign exchange risk**

The Company has no exposure to foreign exchange risk as at 30 June 2016.

#### **(ii) Interest rate risk**

Interest rate risk is the risk to earnings from the margin between different yield curves arising from movements in the absolute levels of interest rates and the volatility of interest rates. Cash flow interest rate risk arises from financial instruments with a floating interest rate whereas fair value interest rate risk arises from fixed interest rate financial instruments.

Loans and advances are issued by the Company at fixed interest rates and are at amortised cost, so therefore do not expose the entity to cash flow interest rate risk or to fair value interest rate risk.

## 2 Financial risk management (continued)

- (a) Market risk (continued)  
(ii) Interest rate risk (continued)

As at the reporting date, the Company had the following variable rate financial instruments outstanding:

	2016	2015
	\$	\$
Bank balances and deposits	918,484	655,821
<b>Net exposure to cash flow interest rate risk</b>	<b>918,484</b>	<b>655,281</b>

### (b) Credit risk

Credit risk is the risk of financial loss if a debtor or other counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk arises predominately from loans and advances. This credit risk is managed by the Company's lending model under which monies are advanced against the anticipation of a specified future event with the loan risks and credit assessment fundamentally related to the outcome of that specified event and with repayment sourced from the resultant agreed or judicially determined settlement outcome and proceeds. The principal amount advanced was limited to a maximum of 30% of the lower range of the expected settlement outcome, which is calculated through a known formula and methodology utilised within the judicial system.

The Matrimonial and Inheritance Funding products however are subject to market and economic conditions as the settlement outcome of the underlying matters are linked to existing assets such as property, shares and businesses and therefore in order to repay the loan or advance these assets must either be sold or refinanced. In the current market, the reduction in asset values and the tighter refinancing criteria applied by traditional financiers has led to an increased credit risk on these particular loans and advances. The Company closed the Matrimonial and Inheritance Funding loan books to new advances in the 30 June 2011 financial year.

The Company closed the Personal Injury loan books to new advances in August 2011 and closed the Disbursement Funding loan book to new advances in January 2012.

The Company has the following credit risk exposures concentrated to a single borrower or legal practice:

- A single matrimonial Loan in Western Australia (security held are Mortgage, Caveat and Guarantees from borrower and related parties) – gross balance as at 30 June 2016 of \$3.9 million (Gross balance at 30 June 2015 \$3.2 million)

In the notes to the Financial Statements forming part of the Company's 30 June 2015 Annual Report, reference was made to a Single Matrimonial Loan in Western Australia with a net carrying value at 30 June 2015 of \$2.0 million:

On 14<sup>th</sup> May 2015 the Company advised the Market that it had settled a legal dispute with a borrower and guarantors in relation to a large Single Matrimonial Loan on the following basis:

- that the borrower and the guarantor agreed to pay the sum of \$2.0 million on or before 15th January 2016;
- that in the event that this sum was not paid the borrower and the guarantors consented to judgment being entered against them in favour of the Company for the sum of \$2.5 million;
- the security granted in favour of the Company by the borrower and guarantors remain in place.

On the 3 February 2016 the Company advised the Market that the borrower and the guarantors failed to pay the sum of the \$2.0 million on or before 15 January 2016.

As a result, the Company has now entered judgement against the borrower and the guarantors in the Supreme Court of Western Australia for the sum of \$2.5 million. The Company is currently exploring the avenues available to it to satisfy this judgement.

The net carrying value of this loan as at 30 June 2015 was \$2.0 million and this remains the current net carrying value.

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

In respect of loans and advances and other receivables the following mitigants are sought:

- Single borrower : registered mortgage, caveats, assignments of interest or charge over assets
- Legal practice : personal guarantees of partners of the practice

The maximum exposure to credit risk is the carrying amount of financial assets, net of any provision for impairment.

#### *Provision for impairment*

The Company establishes a provision for impairment that represents its estimate of the recoverability of loans and advances. These calculations involve the use of estimates and assumptions regarding litigation risk, settlement proceeds, underlying asset values and historical loss rates. Refer to note 1(g)(ii) and Note 9 for further details of impairment of loans and advances.

### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due because of the lack of liquid assets or access to adequate capital and debt facilities on acceptable terms. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient funds available on a timely basis to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation, where such funds include a defined surplus of cash. To manage this risk, management continuously monitors forecast and actual cash flows.

#### *Maturities of financial liabilities*

There is no refinancing risk as at 30 June 2016 as the facility was repaid in full in December 2013.

The tables below analyse the Company's financial liabilities into relevant maturity groupings. The amounts disclosed in the tables are the contractual undiscounted cash flows.

At 30 June 2016	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 3 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
Trade and other payables	81,881	-	-	-	-	81,881
<b>Total financial liabilities</b>	<b>81,881</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,881</b>

At 30 June 2015	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 3 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
Trade and other payables	108,811	-	-	-	-	108,811
<b>Total financial liabilities</b>	<b>108,811</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,811</b>

### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management discussed with the Board the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Impairment of loans and advances and other receivables

The Company continually assesses whether loans and advances and other receivables are impaired in accordance with the accounting policies in note 1. Provisions for impairment are raised where there is objective evidence of impairment and full recovery is considered doubtful. These calculations may involve an estimate of the litigation risk, the settlement proceeds and underlying asset values in order to determine the estimate of the recoverable amount. The Company's credit risk exposure is detailed in note 2(b).

#### (b) Basis of preparation

These financial statements have been prepared using an orderly realisation of assets and settlement of liabilities basis (refer note 1(a)(i)). Given the uncertainty in valuing assets and liabilities on a basis other than going concern, it is likely that the value of assets and liabilities included in these financial statements may differ from actual results.

### 4 Segment reporting

For management purposes, Ask Funding Limited operates under one reportable segment based on the operations of the Company being entirely performed in the business segment of consumer finance predominately within Australasia.

No operating segments have been aggregated to form the above reportable operating segment.

Management monitors the operating results of the reporting segment for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

As the Company only has one reportable segment, the profit for the segment includes all income and expense items for the Company for the full year and the assets of the segment include all of the Company's assets at balance date.

### 5 Remuneration of auditors

	2016 \$	2015 \$
<b>Audit services</b>		
Audit and review of financial reports:		
Grant Thornton	40,442	36,300
KPMG Australia	-	57,400
Total remuneration for audit services	<u>40,442</u>	<u>93,700</u>
<b>Non-audit services</b>		
Other assurance, taxation and corporate advisory services:		
Grant Thornton	990	-
Total remuneration for non-audit services	<u>990</u>	<u>-</u>

## 6 Income tax expense

	2016 \$	2015 \$
<b>(a) Numerical reconciliation between income tax expense and pre-tax accounting profit</b>		
Profit / (loss) before tax	(1,088,276)	(506,297)
Tax at the Australian tax rate of 30%	(326,483)	(151,889)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Recognition of previously unrecognised deferred tax assets	(4,558)	(430,095)
Current year losses for which no deferred tax asset was recognised	331,041	581,984
	-	-
<b>(b) Deferred tax asset not brought to account</b>		
Unused tax losses for which no deferred tax asset has been recognised	15,905,606	16,403,604
Deductible temporary differences	4,971,531	3,816,809
	20,877,137	20,220,413
Potential tax benefit @ 30%	6,263,141	6,066,124

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits there from.

Unused tax losses do not have an expiry date.

## 7 Earnings per share

	2016 cents	2015 cents
<b>(a) Basic loss per share</b>		
Loss for the period	(1.65)	(0.77)
Loss attributable to the ordinary equity holders of the company	(1.65)	(0.77)
<b>(b) Diluted loss per share (i)</b>		
Loss from continuing operations	(1.65)	(0.77)
Loss attributable to the ordinary equity holders of the company	(1.65)	(0.77)
<b>(c) Reconciliation of loss used in calculating loss per share</b>		
	2016 \$	2015 \$
<i>Basic loss per share</i>		
Loss for the period	(1,088,276)	(506,297)
<b>(d) Weighted average number of shares used as the denominator</b>		
	2016	2015
<i>Weighted average number of ordinary shares used as the denominator in calculating basic loss per share</i>	65,955,515	65,955,515
<b>(i) Options</b>		
There are no outstanding options at period end.		

## 8 Cash and cash equivalents

	2016 \$	2015 \$
Cash at bank	918,484	655,821
(a) Fair value	<u>918,484</u>	<u>655,821</u>

The carrying amount of cash and cash equivalents equals fair value.

### (b) Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents.

The Company's exposure to interest rate risk is discussed in note 2.

## 9 Net loans and advances

	2016 \$	2015 \$
<b>Net loans and advances</b>		
Family Law	4,861,672	5,516,678
Disbursement Funding	268,484	624,977
Personal Injury	2,556,646	2,329,420
Other	831,508	375,399
Provision for impairment	(4,919,139)	(3,802,156)
<b>Total</b>	<u>3,599,171</u>	<u>5,044,318</u>

These financial assets are classified as loans and receivables and are measured at amortised cost using the effective interest method.

### (a) Past due but not impaired

Loans and advances do not have a specified repayment date as the loans and advances become technically repayable within 14 days of settlement of the client's underlying specified event. The 14 day time period is derived from a literal reading of the loan documentation utilised by the Company.

With reference to this repayment trigger, at 30 June 2016, loans and advances of \$62,895 (2015: \$40,717) for the Company have been classified as past due but not impaired. That is, the loans and advances are due for repayment as the underlying specified event has settled but for which repayment has been delayed by either liquidation of real property now held by the borrower, transfer of legal title of assets to the borrower pursuant to a Court Order or as agreed between the parties, or receipt of claim proceeds from the insurance company or statutory body.

These loans and advances are not considered impaired as the value of the underlying assets, including real property, or the amount of the settled claim exceeds the amount due to the Company and both the borrower and relevant legal counsel have acknowledged that the debt, in its entirety, is due and payable.

The ageing analysis of these loans and advances is as follows:

	2016 \$	2015 \$
Past due 0-45 days	43,759	-
Past due 46-90 days	-	40,717
Past due 91-150 days	5,943	-
More than 150 days	13,193	-
	<u>62,895</u>	<u>40,717</u>



## 9 Net loans and advances (continued)

### (b) Impaired loans and advances

All loans and advances whether or not due for repayment are subject to continuous management review and an impairment loss is recognised as soon as there is objective evidence that a particular loan or advance is impaired and that reasonable doubt exists over the collectability of principal or interest and fees in accordance with the loan agreement.

As at 30 June 2016 loans and advances of \$8,219,803 (2015: \$8,019,668) for the Company were considered to be impaired either in full or in part. The amount of the specific provision raised in relation to these impaired assets was \$4,919,139 (2015: \$3,650,044).

The ageing analysis of these loans and advances is as follows:

	2016 \$	2015 \$
Not past due	-	-
Past due 0-45 days	-	-
Past due 46-90 days	-	-
Past due 91-150 days	-	-
More than 150 days	8,219,803	8,019,668
	<u>8,219,803</u>	<u>8,019,668</u>
Interest forgone on impaired assets	900,395	854,550
Interest taken to profit on impaired assets	<u>900,395</u>	<u>854,550</u>

### (c) Provision for impairment

The movement in the provision for impairment in respect of loans and advances during the year is as follows:

	2016 \$	2015 \$
<b>Specific provision</b>		
Opening balance	3,802,156	4,953,222
Charge to operating profit	1,962,519	1,924,483
Write-offs	(845,536)	(3,075,549)
Closing balance	<u>4,919,139</u>	<u>3,802,156</u>
<b>Collective provision</b>		
Opening balance	-	233,218
Charge to operating profit	-	(233,218)
Write-offs	-	-
Closing balance	<u>-</u>	<u>-</u>
<b>Closing Balance</b>	<u>4,919,139</u>	<u>3,802,156</u>

### (d) Risk exposure

Information about the Company's exposure to credit risk and interest rate risk is provided in note 2.

### (e) Security

The Company generally has the following collateral over loans and advances, including past due and impaired loans:

- Caveats placed on property, with a right to take mortgage granted by the borrower on the majority of family law funding and inheritance funding loans and advances.
- Mortgages, both registered and unregistered over property on a number of family law loans and advances.
- Guarantees from law firms and each of its constituent partners in a personal capacity that indemnifies Ask Funding Limited for full repayment of principal and capitalised interest, on disbursement funding loans.
- Personal Injury advances are made primarily on an unsecured non-recourse basis. However the repayment of these loans is effected via an Irrevocable Instruction from the borrower to his/her lawyer's trust account. No funds are advanced unless the Irrevocable Instruction is acknowledged by the borrower's lawyer.

## 9 Net loans and advances (continued)

### (f) Fair Value

The fair value of loans and advances cannot be measured reliably given the nature of the loans, the lack of a liquid market for comparable assets and the uncertainty as to the timing and collection of these loans (as many loans are subject to the outcome of litigation and /or the realisation of security) and hence have not been disclosed.

## 10 Deferred tax assets

	2016 \$	2015 \$
<b>The balance comprises temporary differences attributable to:</b>		
Net loans and advances	1,475,742	1,140,647
Amortisable expenditure	-	4,396
Accrued expenditure	15,975	-
Accrued income	(257)	-
Carry forward tax losses for which no deferred tax asset was recognised	3,441,747	3,591,147
Capital losses for which no deferred tax asset was recognised	1,329,934	1,329,934
	<u>6,263,141</u>	<u>6,066,124</u>
<i>Amounts recognised directly in equity</i>		
Share issue expenses	-	-
Total deferred tax assets	<u>6,263,141</u>	<u>6,066,124</u>
Set-off of deferred tax liabilities (note 14)	-	-
Derecognition of deferred tax assets	<u>(6,263,141)</u>	<u>(6,066,124)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>

## 11 Other assets

	2016 \$	2015 \$
Prepayments	74,467	4,477
Accrued income	858	716
Other debtors	1,852	4,706
	<u>77,177</u>	<u>9,899</u>

### (a) Fair value

The fair value of other assets is equal to their carrying value.

### (b) Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying value of other assets.

## 12 Trade and other payables

	2016 \$	2015 \$
Payables and accrued expenses	<u>81,881</u>	<u>108,811</u>

These financial liabilities are measured at amortised cost.

### (a) Fair value

The fair value of trade and other payables is equal to their carrying value.

### (b) Risk exposure

Information about the Company's exposure to liquidity risk is provided in note 2.

## 13 Capital and reserves

	2016 Shares	2015 Shares
Share capital		
Ordinary shares	<u>65,955,515</u>	<u>65,955,515</u>

### (a) Ordinary shares

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### (b) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

The Directors have determined that the Company's dividend reinvestment plan is suspended until further notice.

### (c) Executive option scheme

Information relating to the Ask Funding Limited Executive Option Scheme, including details of options expired during the financial year, is set out in note 21.

### 13 Capital and reserves (continued)

#### (d) Capital risk management

The Directors' current objective in managing the Company's capital is to act in the best interests of stakeholders, which is to run-off the Company's loan book in an orderly manner, repay amounts owing to its financier and maximise the net return to shareholders. The Directors have consequently prepared the financial statements on an orderly realisation of assets and settlement of liabilities basis as set out in note 1(a).

#### (e) Reserves

##### *Profits reserve*

The profits reserve represents profits transferred to a reserve to preserve the characteristic as a profit and not appropriate against prior year accumulated losses. Any such profits are available to enable payment of franked dividends in the future.

#### (f) Dividends

No dividends have been paid since 31 July 2014.

#### (g) Dividend franking credits

	2016 \$	2015 \$
Franking credits available for subsequent financial years based at a tax rate of 30%	<u>3,288,808</u>	<u>3,288,808</u>

The amounts include franking credits that would be available to the Company if distributable profits of subsidiaries were paid as dividends. The ability to utilise the franking credits is dependent upon the ability to declare dividends.

### 14 Deferred tax liabilities

	2016 \$	2015 \$
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Other items	-	-
	<u>-</u>	<u>-</u>
Set-off of deferred tax liabilities (note 10)	-	-
Net deferred tax liabilities	<u>-</u>	<u>-</u>

## 15 Key management personnel disclosures

### (a) Key management personnel

The following were key management personnel of the Company at any time during the financial year and unless otherwise indicated were key management personnel for the entire year.

#### (i) Non-executive directors

K Rich (Chairperson) (resigned 15 September 2015)

M Collins (resigned 15 September 2015)

G Radzynski (appointed 15 September 2015)

J Chirside (appointed 15 September 2015)

#### (ii) Executive directors

R Templeton (Managing Director – resigned 31 May 2015, Chief Executive Officer, Company Secretary – resigned 17 September 2015)

#### (iii) Executives

B Gebauers (General Manager, Compliance and Special Projects) (position redundant 29 March 2013)

### (b) Key management personnel compensation

The key management personnel compensation included in "employee benefits expense" in the Income Statement is as follows:

	2016	2015
	\$	\$
Short-term employee benefits	155,880	266,746
Post-employment benefits	-	-
Termination Benefits	-	-
Share-based payments	-	-
	<u>155,880</u>	<u>266,746</u>

The Company has taken advantage of the relief provided by *Corporations Regulation* 2M.3.03 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the Remuneration Report.

## 16 Other related party transactions

### (a) Other related parties

The Company has secured the services of Mr Templeton on an outsourced arrangement to a business controlled by Mr Templeton to assist with the run-down of the loan books. Details of these payments are included in the remuneration report.

## 17 Consolidated entities

The Company is no longer part of a consolidated Group as at 1 October 2014 with the de-registration of Arc Legal Pty Ltd.

## 18 Contingencies

The directors of the Company are not aware of any material contingent liabilities that exist in respect of either the Company or any of its controlled entities.

## 19 Commitments

### (a) Lease commitments

#### *Operating leases*

The Company terminated the lease of its office premises with the rental bond returned on 10 May 2013. No further leases have been entered to since.

## 20 Events occurring after the balance date

No transactions or events of a material and unusual nature has arisen, which in the opinion of the directors of the Company is likely to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

## 21 Share-based payments

#### *Fair value of options granted*

No options were granted during the year ended 30 June 2016 or 30 June 2015. All previously granted unexercised options expired in the 2013 financial year.

## 22 Reconciliation of loss after income tax to net cash flow from operating activities

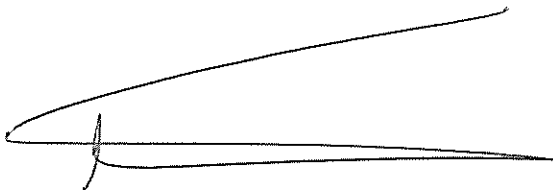
	2016 \$	2015 \$
Loss for the year	(1,088,276)	(506,297)
<i>Adjustments for:</i>		
Impairment of loans and advances	1,962,519	1,691,265
Interest income	(1,646,135)	(2,226,784)
Fee income	(65,643)	(153,182)
Interest expense	-	8
Change in operating assets and liabilities	-	-
Decrease / (Increase) in other assets	(67,138)	(30,559)
Increase / (decrease) in trade and other payables	(26,930)	(36,620)
Increase / (decrease) in provisions and employee benefits	-	-
Interest paid	-	(8)
Interest and fees received	783,506	2,575,876
Net cash inflow from operating activities	<u>(148,097)</u>	<u>1,313,699</u>

In the directors' opinion:

- (a) the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 3 to 6 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporation Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

A handwritten signature in black ink, consisting of a long horizontal stroke with a small vertical tick at the start and a curved line above it.

Russell Templeton  
Director

Brisbane  
29 August 2016

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## **Independent Auditor's Report To the Members of Ask Funding Limited**

### **Report on the financial report**

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

### **Directors' responsibility for the financial report**

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

### **Auditor's responsibility**

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

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

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

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

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of Ask Funding Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company's financial position as at 30 June 2016 and of the Company's performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Emphasis of matter – Material uncertainty regarding basis of preparation and carrying value of assets**

Without qualification to the audit opinion expressed above, we draw attention to Note (a)(i) in the financial report which indicates that the financial statements of the Company for the year ended 30 June 2016 have not been prepared on a going concern basis and have been prepared on an alternate basis of an orderly realisation whereby the Company will realise its assets and settle its liabilities over the period required to achieve an orderly realisation of assets and settlement of liabilities.

The Directors of the Company have indicated that the recoverability of the Company's loans receivable is dependent upon realising these loans from the sale and / or settlement of the underlying action funded occurring within the time frame and at values used in assessing the recoverable amount of loans receivable at 30 June 2016.


Given the uncertainties involved in assessing the asset carrying values on an orderly realisation basis it is likely that there may be differences between amounts at which the assets are recorded in the financial statements at 30 June 2016 and the amounts that are actually realised, and such differences may be material.

**Report on the remuneration report**

We have audited the remuneration report included in pages 3 to 6 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Ask Funding Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A F Newman  
Partner – Audit & Assurance

Brisbane, 29 August 2016

### Distribution of Holders in each class of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary Shares	
			Holders	Shares
1	-	1,000	148	79,175
1,001	-	5,000	154	365,489
5,001	-	10,000	25	185,136
10,001	-	100,000	28	1,056,411
100,001	-	and over	23	64,269,304
			378	65,955,515

There were 315 holders of less than a marketable parcel of ordinary shares.

### Twenty largest holders of quoted equity securities

Shareholder	Ordinary Shares	
	Number Held	Percentage of issued shares
Mercantile OFM Pty Ltd	28,963,193	43.91
Mercantile OFM Pty Ltd Level 11 139 Macquarie Street	9,910,681	15.03
Mercantile OFM Pty Ltd	8,440,071	12.80
RBC Investor Services Australia Pty Limited <VFA A/C>	7,806,561	11.84
Treasure Island Hire Boat Company Pty Ltd <Staff Super Fund Account>	2,000,000	3.03
Mr Bernard Joseph Fitzsimon + Ms Diane Therese Neve <Fitzsimon Family A/C>	1,277,508	1.94
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,123,203	1.70
Mr Ashok Kumar Chotai + Mr Neeshith Kumar Chotai + Mr Sanjay Kumar Chotai <The CB Super Fund A/C>	750,000	1.14
BT Portfolio Services Limited <Mrs Meredyth Sauer App A/C>	694,000	1.05
National Nominees Limited	500,000	0.76
Bond Street Custodians Limited <JOD – V36958 A/C>	333,333	0.51
Jetan Pty Limited <Gr Plummer Super Fund A/C>	313,252	0.47
Bidab Pty Ltd <Davryn Super Fund A/C>	300,000	0.45
Serlett Pty Ltd <Diligent Inv Super Fund A/C>	300,000	0.45
BT Portfolio Services Limited <Dr Trevor Sauer App A/C>	250,000	0.38
Mr John Cregan	234,375	0.36
Mr Leo Diniotis	200,000	0.30
Mr John Michael Kozik	200,000	0.30
Mr Perry Zeus	158,400	0.24
Mr Mark Douglas Stanton <Stanton Super Fund A/C>	145,890	0.22
Top 20 holders of Ordinary Fully Paid Shares	63,900,467	96.88
Total remaining holders balance	2,055,048	3.12

## Substantial holders

Shareholder	Ordinary Shares	
	Number Held	Percentage of issued shares
Mercantile OFM Pty Ltd	28,963,193	43.91
Mercantile OFM Pty Ltd Level 11 139 Macquarie Street	9,910,681	15.03
Mercantile OFM Pty Ltd	8,440,071	12.80
RBC Investor Services Australia Pty Limited <VFA A/C>	7,806,561	11.84

## Restricted Securities

All ordinary shares are quoted on the ASX and there are no shares subject to escrow or other regulated restrictions.

## Voting Rights

The voting rights attaching to each class of equity securities are set out below:

- (a) *Ordinary Shares*  
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) *Options*  
Options do not carry a right to vote.