

This is Annexure A, of 25 pages referred to in Form
388 "Annual Reports" and in Form 5111 "Compliance
Plan Audit Report of a Registered Scheme"



Ilan Zimmerman
Company Secretary/Director

**DISTRESSED DEBT FUND
ARSN 099 271 173**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

**Responsible Entity:
Specialised Private Capital Limited
Trading as Centric Capital
ABN 095 773 390
Level 2, 7 Macquarie Place
Sydney NSW 2000**

**DISTRESSED DEBT FUND
ARSN 099 271 173
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

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DISTRESSED DEBT FUND
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DIRECTORS' REPORT OF THE RESPONSIBLE ENTITY
FOR THE YEAR ENDED 30 JUNE 2011

Directors' Report

The directors of Specialised Private Capital Limited (ABN 095 773 390), the Responsible Entity of the Distressed Debt Fund ("the Fund"), submit their report together with the financial statements for the year ended 30 June 2011 and the independent auditor's report thereon.

Directors

The names and details of directors of the Responsible Entity in office since the start of the financial year and until the date of this report are as follows:

Directors	Qualifications	Experience
John McMurdo Executive Director Appointed 19 November 2010 Resigned 8 July 2011	MBA	Former Managing Director of AMP's Hillross Financial Services Limited. He was previously head of AMP's life insurance business and marketing in New Zealand, and before that held senior positions in strategy, marketing and commercial banking with Bank of New Zealand and National Australia Bank coupled with several senior management roles in Bank of New Zealand and National Australia Bank.
Joel Thickins Non-Executive Director Appointed 2 March 2009 Resigned 22 November 2010	MBA, B Comm (Hons)	Associate Director of CHAMP and former Vice President of Dyno Nobel Limited
Geoff Scott Finance Director/Executive Director Appointed 30 June 2009 Resigned 8 July 2011	MBA, B Comm	40 years of experience across a broad range of roles in financial services, investment and resources. He has had senior financial, investment and strategy roles in leading organizations.
Philip Kelly Executive Chairman/Non-Executive Director Appointed 16 September 2009 Resigned 8 July 2011	AICD, B.A (Hons) (Econ), MBA (Distinction)	Over 35 years experience in the Australian financial services industry, primarily in private equity and institutional investment management, retirement fund administration and retail distribution of financial services
Mr. Ilan Zimerman Executive Director Appointed 8 July 2011	MBA, BA/LLB Diploma (Corporate Governance)	In-house lawyer of Centric Wealth Limited for the past five years
Mr. Gregory Dunger Executive Director Appointed 8 July 2011	Graduate Diploma, AICD General Managers Program (AGSM) Diploma of Management	Mr Dunger brings with him over 30 years of experience in the financial services industry in Australia and has also held positions in Asia and the UK. From 2006-2009, Mr Dunger was the Managing Director of RetireInvest. Previous to this, he was the Managing Director of AON Financial Planning & AON Wealth Management. More recently, Mr Dunger worked as a consultant at AMP, establishing the blueprint for its newly created Financial Centre.

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DIRECTORS' REPORT OF THE RESPONSIBLE ENTITY
FOR THE YEAR ENDED 30 JUNE 2011

Directors' Report (continued)

Directors (continued)

Directors	Qualifications	Experience
Mr. Barry Zuckerman Non-Executive Director Appointed 8 July 2011	B Comm Chartered Accountant	<p>He has extensive experience with acquisitions, due diligence, structuring, listed reporting and accounting for mortgage, property, equity trusts (both retail and wholesale), taxation and compliance. His funds management industry experience was initially with the Howard Group, and subsequently with Challenger International Limited ("Challenger"), both listed ASX companies. He was the CFO and a member of the Executive Committee of Challenger and played a significant role in the emergence of Challenger from a niche investment bank into a top 100 listed business. Prior to that, Mr Zuckerman gained professional experience with Ernst & Young and PricewaterhouseCoopers in audit and in information systems.</p> <p>Mr Zuckerman received an AVCAL Outstanding Service award for disclosure guidelines in 2004 and won the AVCAL award for Excellence in Investor Reporting in 2009, 2010 and 2011.</p>

No units of the Distressed Debt Fund are held by directors or director-related entities, other than Centric Wealth Enterprises Ltd which holds 86 B Class units in the Fund (refer to Note 10(g) for further information).

Principal Activities

The principal activity of the Fund during the year continued to be the monitoring and management of the investment in the Helmsman Capital Fund.

The Fund did not have any employees during the year.

The Board of Directors of the Responsible Entity resolved at the Board meeting held on 24 June 2011 to terminate the Distressed Debt Fund and waive the right to management fees from 30 June 2011.

Review of Operations

The operating loss for the financial year of the Fund after providing for income tax amounted to \$68,412 (30 June 2010: net profit \$101,947). The result for the year is in line with the directors of the Responsible Entity's expectations.

The value of the Fund's assets as at 30 June 2011 was \$508,204 (30 June 2010: \$1,943,056). The basis for valuation is disclosed in Note 1 of the financial statements.

The Helmsman Capital Fund has thus far called \$0.75 as at 30 June 2011.

Events Subsequent to Reporting Date

The Fund received a distribution from the underlying fund in September 2011, which was utilised to meet the Funds expenses and towards part payment of the outstanding performance fees. The value of the Funds Assets as at 30 September 2011 was \$200,504. The reduction in value was primarily due to the repayment of the capital by the underlying fund and the devaluation of the final investment in the underlying fund. In November 2011 the Fund received a further distribution of \$54,476, which will be utilised to meet the Funds expenses and towards part payment of the outstanding performance fees. With further 180 days termination period provided under the HCF constitution, HCF will finally terminate on 27 November 2012, unless all instruments are realised prior to that date.

No other matters or circumstances have arisen since 30 June 2011 which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

DISTRESSED DEBT FUND
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DIRECTORS' REPORT OF THE RESPONSIBLE ENTITY
FOR THE YEAR ENDED 30 JUNE 2011

Directors' Report (continued)

Significant Changes in State of Affairs

The Board of Directors of the Responsible Entity resolved at the Board meeting held on 24 June 2011 to terminate the Distressed Debt Fund and waive the right to management fees from 30 June 2011.

Distributions Paid

The distribution paid to Class B unit holders for the year ended 30 June 2011 was \$275,375 (2010: nil). There were no distributions paid to ordinary unit holders for the year ended 30 June 2011 (2010: nil)

Likely Developments

The value of the Funds Assets as at 30 September 2011 was \$200,504. The reduction in value was primarily due to the repayment of the capital by the underlying fund and the devaluation of the final investment in the underlying fund.

Environmental Regulations

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Indemnities and Insurance Premiums for Officers and Auditors

Under the Fund's Constitution, the Responsible Entity, including its officers and employees, are indemnified out of the Fund's assets for any loss, damage, expense or any other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified the auditor of the Fund.

The Responsible Entity has been reimbursed for insurance premiums paid out of the Fund's assets in relation to insurance cover for the Responsible Entity, its officers and employees and the Compliance Committee. The contract of insurance prohibits disclosure of the nature of the liability and amount of the premium. No amount has been paid out of the assets of the Fund in relation to insurance cover for the auditor of the Fund.

Proceedings on Behalf of the Fund and/or the Responsible Entity

No person has applied for leave of Court to bring proceedings on behalf of the Fund and/or Responsible Entity or intervene in any proceedings to which the Fund and/or Responsible Entity is a party for the purpose of taking responsibility on behalf of the Fund and/or Responsible Entity for all or any part of those proceedings.

The Fund and/or Responsible Entity was not a party to any such proceedings during the year.

Fees Paid to and Interests Held in the Fund by the Responsible Entity or Its Associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 10 of the financial statements.

No fees were paid out of the Fund property to the directors of the Responsible Entity during the year.

The Responsible Entity and its associates do not hold any interests in the Fund at year end nor held any interests during the year, except as disclosed in Note 10 of the financial statements.

DISTRESSED DEBT FUND
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DIRECTORS' REPORT OF THE RESPONSIBLE ENTITY
FOR THE YEAR ENDED 30 JUNE 2011

Directors' Report (continued)

Corporate Governance

During the year the Board of the Responsible Entity was split between non-executive and executive directors. Joel Thickins and Philip Kelly were non-executive directors prior to their resignation. As at the date of this report Barry Zuckerman is the non-executive director. Geoff Scott and John McMurdo were the executive directors prior to their resignation. As at the date of this report Ian Zimmerman and Gregory Dunger are executive directors.

No fees are currently paid to the directors of the Responsible Entity from the Fund.

Non-executive directors have the right to seek independent professional advice in the furtherance of their duties as directors of the Responsible Entity at the Fund's expense subsequent to the Chairman's approval.


The Fund's policy regarding the Responsible Entity's directors and employees trading in its securities is set by the Investment Committee. The policy restricts directors of the Responsible Entity and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

The Board of the Responsible Entity approved the formation of a Compliance Committee to ensure compliance with the Responsible Entity's rigorous set of systems and procedures as outlined in its Compliance Plan. The Compliance Committee comprises three members, two of whom are external to the Responsible Entity.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of this Directors' Report for the year ended 30 June 2011.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity.



.....
Barry Zuckerman
Director

Dated in Sydney, this 1st day of December 2011

Level 7, 20 Hunter Street
Sydney NSW 2000

T +61 (0)2 8236 7700

F +61 (0)2 9233 4636

www.moorestephens.com.au

**Auditor's Independence Declaration
to the Directors of Specialised Private Capital Limited,
as Responsible Entity of Distressed Debt Fund**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Distressed Debt Fund for the year ended 30 June 2011, 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.



Moore Stephens Sydney
Chartered Accountants



Chris Chandran
Partner

Dated in Sydney this 1st day of December 2011

DISTRESSED DEBT FUND
ARSN 089 271 173
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Revenue	2	18,652	254,278
Administrative and general expenses	3	<u>401,308</u>	<u>(152,331)</u>
Net profit attributable to unitholders		<u>419,960</u>	<u>101,947</u>
Finance costs attributable to unitholders			
Net increase in net assets attributable to unitholders	7	<u>(419,960)</u>	<u>(101,947)</u>
Net profit/(loss) for the year		<u>-</u>	<u>-</u>
Other comprehensive loss			
Devaluation of available for sale investment	7	<u>(1,053,207)</u>	<u>(1,368,889)</u>
Total comprehensive loss for the year		<u>(1,053,207)</u>	<u>(1,368,889)</u>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

DISTRESSED DEBT FUND
ARSN 099 271 173
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
Assets			
Cash and cash equivalents	12(a)	63,138	445,832
Trade and other receivables	5	4,787	3,738
Financial assets	6	440,279	1,493,486
Total assets		508,204	1,943,056
Liabilities			
Trade and other payables	9	329,662	1,131,267
Total liabilities (excluding net assets attributable to unitholders)		329,662	1,131,267
Net assets attributable to unitholders	7	178,542	811,789
Total liabilities		508,204	1,943,056

The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

In accordance with AASB 132 - *Financial Instruments: Disclosure and Presentation*, unitholders' funds are classified as a liability and accordingly the Fund has no equity for financial statement purposes. As a result there was no equity at the start or end of the year and as such the Fund is not required to prepare a Statement of Changes in Equity.

**DISTRESSED DEBT FUND
ARSN 089 271 173
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Payments to suppliers		(118,420)	(118,076)
Payment of management fees		(7,567)	(18,339)
Distributions received		-	238,748
Interest received		18,668	15,523
Net cash (used in)/provided by operating activities	12(b)	(107,319)	117,856
Cash flows from financing activities			
Distributions paid		(275,375)	(67,015)
Net cash used in financing activities		(275,375)	(67,015)
Net (decrease)/increase in cash held		(382,694)	50,841
Cash at beginning of the financial year		445,832	394,991
Cash at end of the financial year	12(a)	63,138	445,832

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

DISTRESSED DEBT FUND
ARSN 099 271 173
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements cover Distressed Debt Fund ("the Fund") as an individual entity. The Fund is a registered managed investment scheme pursuant to the *Corporations Act 2001*, established and domiciled in Australia.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001* in Australia.

The financial statements are prepared on an accruals basis and are based on historical costs, modified where applicable by the fair value of financial assets and financial liabilities.

The financial statements have been approved for release by the Board of Directors of the Responsible Entity on 1st December 2011.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

The Board of Directors of the Responsible Entity resolved at the Board meeting held on 24 June 2011 to terminate the Distressed Debt Fund.

As a result of the above the financial statements have been prepared on wind-up basis. Under the wind-up basis, adjustments are made to ensure that the assets and liabilities of the Fund are being carried at their estimated realisable values.

The following is a summary of the material accounting policies adopted by the Fund in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Income Tax

Under the Income Tax Assessment Act 1997, the Fund is not subject to income tax, provided the net income including assessable capital gains tax is fully distributed to Unitholders. No liability has been raised for income tax as it is unlikely that any taxable income will be retained by the Fund for 30 June 2011.

Financial assets held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to Unitholders but are retained in the Fund to be offset against any realised gains. If realised capital gains exceed realised capital losses, the excess is distributed to Unitholders.

The benefits of imputation credits and foreign tax paid are passed to unitholders.

(b) Distributions

In accordance with the Fund Constitution, the Fund fully distributes its distributable (taxable) income to Unitholders by cash or reinvestment. The distributions are recognised in the Statement of Comprehensive Income as financing costs attributable to Unitholders.

(c) Financial Instruments

Recognition and measurement

Financial assets consist of units in an unlisted unit trust, Helmsman Capital Fund and initially are brought to account at cost, including transaction costs. Subsequent to initial recognition, the investment is reflected at fair value.

The directors of the Responsible Entity have determined the investment to be a financial asset at fair value through other comprehensive income. Unrealised gains and losses arising from changes in fair value are taken directly to the Asset Revaluation Reserve.

As at 30 June 2011, directors of the Responsible Entity have valued this investment in accordance with the audited net assets of the Helmsman Capital Fund. Given the nature of the Fund and its investment, the directors of the Responsible Entity consider this a fair and reasonable basis of valuation.

DISTRESSED DEBT FUND
ARSN 099 271 173
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

Recognition and measurement (continued)

The carrying amount of investments is reviewed regularly by the directors of the Responsible Entity to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the unit's current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amount.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Fund no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial asset or liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

(d) Trade and Other Receivables

Trade and other receivables may include amounts for interest, trust distributions and securities sold where settlement has not yet occurred. Amounts are generally received within 30 days of being recorded as trade and other receivables.

(e) Net Assets Attributable to Unitholders

The Fund is a closed-end Fund and is not subject to applications and redemptions. The net asset value of the Fund is determined on the most recently available information. The Fund and unit prices are calculated on the value of investments by HCF after adjusting the value of the liabilities.

(f) Increase/(Decrease) in Net Assets Attributable to Unitholders

Non-distributable income is included in net assets attributable to Unitholders and may consist of accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income.

Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to Unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

(g) Trade and Other Payables

Trade and other payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to Unitholders as at the reporting date is recognised separately on the Statement of Financial Position as Unitholders are presently entitled to the distributable income under the Fund Constitution.

(h) Goods and Services Tax ("GST")

The Fund qualifies for Reduced Income Tax Credits at a rate of 75% hence management fees, custodian fees and other expenses have been included in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Tax Office ("ATO").

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

DISTRESSED DEBT FUND
ARSN 099 271 173
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Goods and Services Tax ("GST")

The net amount of GST recoverable from or payable to the ATO is included as an asset or liability in the Statement of Financial Position. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, and bank overdraft.

(j) Revenue and Expenses

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Trust distribution revenue is recognised when the right to receive them has been established.

All revenue is stated net of the amount of GST.

Expenses are brought to account on an accruals basis.

(k) Life of the Fund

The Distressed Debt Fund is a unit trust established on 9 July 2002 and domiciled in Australia. The Board of Directors of the Responsible Entity resolved at the Board meeting held on 24 June 2011 to terminate the Distressed Debt Fund.

(l) Critical Accounting Estimates and Judgements

The directors of the Responsible Entity evaluate estimates and judgments based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

(m) Comparatives

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

DISTRESSED DEBT FUND
ARSN 099 271 173
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Fund's financial statements.

(ii) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First-time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Fund's disclosures. The Fund intends to apply the amendment from 1 July 2011.

(iii) Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) International Financial Reporting Standards (IFRS) 13 Fair value measurement (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Fund has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Fund does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(v) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

DISTRESSED DEBT FUND
ARSN 099 271 173
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Going Concern

There is a net current asset deficiency of \$261,737 (equal to cash and receivables less trade and other payables). Notwithstanding the Fund's deficiency in current assets to current liabilities, the financial report has been prepared on a going concern basis. This basis has been adopted as the Fund has received a guarantee of continued financial support from the Responsible Entity, Specialised Private Capital Limited to allow the Fund to meet its liabilities. Subject to further approval from the Directors of the Responsible Entity that such financial support will continue to be made available.

	2011	2010
	\$	\$

NOTE 2: REVENUE FROM ORDINARY ACTIVITIES

Interest income	18,652	15,530
Distributions income	-	238,748
	18,652	254,278

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities has been arrived at after charging as expenses:

Audit fees	19,760	18,800
Success payment write back	(488,372)	-
Expense recoveries	61,530	120,764
Other expenses	70	10
Management fees	5,704	12,757
	(401,308)	152,331

NOTE 4: AUDITOR'S REMUNERATION

Audit and review of the financial statements	19,760	18,800
Taxation and other services	11,050	16,995
	30,810	35,795

NOTE 5: TRADE AND OTHER RECEIVABLES

Interest receivable	23	39
Applications receivable	2,450	2,450
Other debtors	2,314	1,249
	4,787	3,738

Trade and other receivables are unsecured and non-interest bearing.

DISTRESSED DEBT FUND
ARSN 099 271 173
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
NOTE 6: FINANCIAL ASSETS		
Units in unlisted Unit Trust, paid to 75 cents (30 June 2010 - 75 cents) - at cost	9,032,472	9,032,472
Devaluation	(1,752,178)	(698,971)
Provision for impairment	(6,840,015)	(6,840,015)
	440,279	1,493,486
Units in unlisted Unit Trust - at fair value	440,279	1,493,486

The directors of the Responsible Entity have determined that Helmsman Capital Fund is not an associate of the Fund, as it does not have significant influence over the financial and operating policies of the entity. As such, the investment in Helmsman Capital Fund is not equity accounted.

The directors of the Responsibility Entity do not participate in the management, nor does it hold Board or Investment Committee representation on Helmsman Capital Fund, nor does it intend to in the future. Its relationship with Helmsman Capital Fund is as a financial investor only.

NOTE 7: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Units #	Units \$	Accumulated Losses \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2009	10,434,200	9,078,620	(7,669,807)	669,918	2,078,731
Comprehensive income/(loss)					
Profit attributable to the Fund	-	-	101,947	-	101,947
Other comprehensive loss	-	-	-	(1,368,889)	(1,368,889)
	10,434,200	9,078,620	(7,567,860)	(698,971)	811,789
Balance at 30 June 2010					
Comprehensive income/(loss)					
Profit attributable to the Fund	-	-	419,960	-	419,960
Other comprehensive loss	-	-	-	(1,053,207)	(1,053,207)
	10,434,200	9,078,620	(7,147,900)	(1,752,178)	178,542
Balance at 30 June 2011					

DISTRESSED DEBT FUND
ARSN 099 271 173
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

There are 10,434,100 ordinary units and 100 B class units in the Fund. Unitholders participate in distributions and the proceeds on winding up the Fund in proportion to the number of units held.

The Asset Revaluation Reserve includes unrealised gains which would be assessable if realised at 30 June 2011.

Specialised Private Capital Limited owns 100 ordinary units paid to \$0.87. This represents the initial issue of units upon registration of the Fund. The units do not carry any special entitlements.

NOTE 8: DISTRIBUTIONS

No distributions were paid or payable to ordinary unit holders for the years ended 30 June 2011 and 30 June 2010. A distribution of \$275,375 was paid to B Class unit holders, which was a part payment towards the performance fees.

NOTE 9: TRADE AND OTHER PAYABLES

	2011	2010
	\$	\$
Distributions payable	-	3,586
Management fees	650	2,513
Success payments	311,022	1,074,768
Expense recoveries	17,990	50,400
	329,662	1,131,267

Trade creditors and other payables are unsecured and non-interest bearing.

NOTE 10: RELATED PARTY TRANSACTIONS

(a) Responsible Entity of the Fund

The Responsible Entity of Distressed Debt Fund is Specialised Private Capital Limited, which provides investment management and administrative services to the Fund in accordance with the Fund Constitution. Specialised Private Capital Limited is 100% owned by Centric Wealth Enterprises Limited.

In performing its administrative services, the Responsible Entity incurs expenses on behalf of the Fund for which it subsequently recovers from the Fund. These expenses include, but are not limited to, custodian fees, registry fees, legal fees, audit fees, compliance committee fees and insurance expenses.

(b) Directors and Other Director-Related Entities

The names of each person holding position of Director of the Responsible Entity during the financial year were:

Name	Position	Period of Directorship
Mr. John McMurdo	Executive Director	Appointed 19 November 2010 Resigned 8 July 2011
Mr. Joel Thickins	Non-Executive Director	Appointed 2 March 2009 Resigned 22 November 2010
Mr. Geoff Scott	Finance Director/Executive Director	Appointed 30 June 2009 Resigned 8 July 2011
Mr. Philip Kelly	Executive Chairman/Non-Executive Director	Appointed 16 September 2009 Resigned 8 July 2011
Mr. Ilan Zimmerman	Executive Director	Appointed 8 July 2011
Mr. Gregory Dunger	Executive Director	Appointed 8 July 2011
Mr. Barry Zuckerman	Non-Executive Director	Appointed 8 July 2011

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NOTE 10: RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Responsible Entity Fees and Other Transactions

During the year the following fees and charges were incurred by the Fund to the Responsible Entity in accordance with the Fund Constitution and Product Disclosure Statement:

	2011	2010
	\$	\$
Management fees	5,704	12,757
Success payment write back	(488,372)	-
Expense recoveries	81,290	139,564
	<u>(401,378)</u>	<u>152,321</u>

The amounts due and payable at 30 June 2011 to the Responsible Entity in accordance with the Fund Constitution were:

Management fees	650	2,513
Other expense recoveries	17,990	50,400
Payable to Centric Wealth Enterprises Limited	228,926	924,300
	<u>247,566</u>	<u>977,213</u>

(d) Remuneration of Directors and Specified Executives

The directors of the Responsible Entity did not receive any remuneration, superannuation or retirement benefits from the Fund since the beginning or the end of the financial year.

During the year ended 30 June 2011, no Director, both executive and non-executive, received any remuneration either directly or indirectly from Specialised Private Capital Limited.

(e) Interest in the Units of the Fund

No directors and director related entities hold any units in Distressed Debt Fund, other than what is mentioned in Note 10 (g).

Specialised Private Capital Limited held 100 units in the Fund during the financial year.

(f) Loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the directors or their personally-related entities at any time during the year.

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NOTE 10: RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Other Transactions of Directors and Director-Related Entities

Centric Wealth Enterprises Ltd owns 86 B class units fully paid to \$86. These units entitle Centric Wealth Enterprises Ltd to 20% of the internal rate of return in excess of the performance benchmark if the gross return of the Fund's investments exceeds the greater of:

- 1 The UBS Warburg Corporate Bond Index; or
- 2 10%; or
- 3 The average of the 90 Day Bank Bill Rate.

As at 30 June 2011, \$228,926 (2010: \$924,300) has been accrued in relation to success payments payable to Centric Wealth Enterprises Ltd.

Apart from those detailed in this Note, no directors have entered into a contract for services with the Fund since the end of the previous financial year and there were no contracts involving directors subsisting at year end.

All transactions with related parties are conducted on normal commercial terms and conditions.

The Fund has no investment in Specialised Private Capital Limited or its related parties.

There have been no transactions with other funds that Specialised Private Capital Limited acts as Responsible Entity for.

NOTE 11: FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives, Policies and Procedures

The Fund's accounting policies are included in Note 1, while the terms and conditions, including the effective weighted average rates, of each class of financial assets, each financial liability and equity instrument, both recognised and unrecognised at balance date where applicable, are included under the appropriate note for that instrument.

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Fund which have been recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts. The Fund is not exposed to any individual credit risk.

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FOR THE YEAR ENDED 30 JUNE 2011

NOTE 11: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity and Cash Flow Risks

Liquidity risk is the risk that the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flow derived from holding financial instruments will fluctuate.

The Fund manages liquidity risk by monitoring forecast cash flows. The Board of Directors of the Responsible Entity of the Fund resolved to terminate the Fund at their meeting held on 24 June 2011 and therefore there are no further capital commitments due from the unit holders of the Fund (2010: \$834,736).

Financial liabilities of the Fund comprise trade and other payables, distributions payable and net assets attributable to Unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

(i) Currency Risk

The Fund is not exposed to currency risk on financial instruments, receivables and liabilities that are denominated in a currency other than the respective functional currency (Australian Dollars) of the Fund.

The Fund had no significant exposure to currency risk during the year ended 30 June 2011.

(ii) Interest Rate Risk

The majority of the Fund's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or reprice in the short-term, no longer than twelve months. As a result, the Fund is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested in short-term commercial paper or reverse repurchase agreements with the term to maturity of up to three or six months.

The Fund's exposure to interest rate risk and the effective weighted average interest rate for a class of financial asset is set out in Note 12(a). Any significant movement in the weighted average interest rate is unlikely to have a significant impact on the operating results of the Fund.

(iii) Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market.

Equity price risk exposure arises from the Fund's investments in its sole investment, Helmsman Capital Fund.

This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11: FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market Risk (continued)

(iii) Equity Price Risk (continued)

There is no effect on the net operating loss attributable to Unitholders as unrealised gains and losses arising from changes in fair value are taken directly to the Asset Revaluation Reserve. Due to reasonably possible changes in market factors, as represented by the equity indices with all other variables held constant, the risk to the fund is indicated in the

Change in equity price	Change in variable %	Effect on net assets attributable to unitholders \$
2011		
Equity price risk	10%/-10%	65,623/(65,623)
2010		
Equity price risk	10%/-10%	149,349/(149,349)

(e) Fair Value of Financial Assets and Liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The table below presents the Fund's assets measured and recognised at fair value at 30 June 2011 and 30 June 2010 by level of the following fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At 30 June 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Units in unlisted unit trust	-	440,279	-	440,279
	-	440,279	-	440,279
At 30 June 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Units in unlisted unit trust	-	1,493,486	-	1,493,486
	-	1,493,486	-	1,493,486

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting year. The Fund's investment in the Helmsman Capital Fund is included in Level 2.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

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	2011	2010
	\$	\$
NOTE 12: CASH FLOW INFORMATION		
(a) Cash at the end of the financial year as shown in the Statement of Cash Flows is:		
Cash at bank	<u>63,138</u>	<u>445,832</u>
The weighted average interest rate of cash at bank as at 30 June 2011 is 4.8% (2010: 3.5%).		
(b) Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities		
Profit from ordinary activities after income tax	419,960	101,947
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(1,049)	2,692
(Decrease)/increase in trade and other payables	<u>(526,230)</u>	<u>13,217</u>
Cash flows (used in)/provided by operating activities	<u>(107,319)</u>	<u>117,856</u>

NOTE 13: CAPITAL MANAGEMENT

The directors of the Responsible Entity control the capital of the Fund in order to maintain a good debt-to-equity ratio and to ensure that the Fund can fund its operations and continue as a going concern.

The Fund's debt and capital includes financial liabilities, supported by financial assets.

The directors of the Responsible Entity effectively manage the Fund's capital by assessing the Fund's financial risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels.

There have been no changes in the strategy adopted by management to control the capital of the Fund. The Fund does not have any external borrowings.

NOTE 14: ECONOMIC DEPENDENCY

Distressed Debt Fund has only one investment, being the Helmsman Capital Fund. Accordingly a significant portion of the Distressed Debt Fund's revenue is dependent upon the performance of the Helmsman Capital Fund.

DISTRESSED DEBT FUND
ARSN 099 271 173
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

The Fund received a distribution from the underlying fund in September 2011, which was utilised to meet the Funds expenses and towards part payment of the outstanding performance fees. The value of the Funds Assets as at 30 September 2011 was \$200,504. The reduction in value was primarily due to the repayment of the capital by the underlying fund and the devaluation of the final investment in the underlying fund. In November 2011 the Fund received a further distribution of \$54,476, which will be utilised to meet the Funds expenses and towards part payment of the outstanding performance fees. With further 180 days termination period provided under the HCF constitution, HCF will finally terminate on 27 November 2012, unless all instruments are realised prior to that date.

No other matters or circumstances have arisen since 30 June 2011 which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

NOTE 16: COMMITMENTS

The Fund had a holding of 12,571,429 units in Helmsman Capital Fund, being a maximum commitment of \$9,428,572. As at 30 June 2011, total paid up capital was \$0.75 per unit, totalling \$9,428,572. Therefore there is no outstanding commitment as at 30 June 2011.

No other significant liabilities have arisen in the year ended 30 June 2011.

NOTE 17: CONTINGENT LIABILITIES

In accordance with the prospectus dated 22 March 2002, the Fund is due to pay a success payment to the holders of Class B units for outperformance over the benchmark (refer to the PDS for more details). The success payment is payable to the holders of Class B units at the end of the life of the Fund once substantially all its investments are realised. The success payment of \$311,022 is recorded as a liability in Note 9 and a further amount may be payable subject to the amount of the final distributions received from the Helmsman Capital Fund.

The final value of the success fee is dependent on the future value of distributions made to the unit holders which is dependent on the realisation of the investment from the underlying fund, Helmsman Capital Fund.

NOTE 18: FUND DETAILS

The principal place of business and registered office of the Fund is:

Distressed Debt Fund
c/- Specialised Private Capital Limited
Level 2, 7 Macquarie Place,
Sydney NSW 2000

DISTRESSED DEBT FUND
ARSN 099 271 173
DIRECTORS' DECLARATION OF THE RESPONSIBLE ENTITY
FOR THE YEAR ENDED 30 JUNE 2011

In the opinion of the directors of Specialised Private Capital Limited, the Responsible Entity of Distressed Debt Fund (the "Fund"):

- (a) the financial statements and notes set out on pages 7 to 22 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance as represented by the results of its operations and its cash flows for the year ended 30 June 2011.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) The Responsible Entity believes it is in the best interests of unitholders to continue the orderly wind-up of the Fund. There is continuous market volatility as well as illiquidity factors impacting the Fund's ability to realise its investment. The continued ability of the Fund to be able to pay its debts as and when they become due and payable will depend on the continued support of the Responsible Entity and the ability to continue to manage the orderly realisation of its investment. Refer Notes 14 and 15 for further information.
- (d) The Fund has operated during the year ended 30 June 2011 in accordance with the provisions of the Fund Constitution.

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


Barry Zuckerman
Director

Dated at Sydney this 1st day of December 2011

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DISTRESSED DEBT FUND**

Report on the Financial Report

We have audited the accompanying financial report of Distressed Debt Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, 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*.

Opinion

In our opinion the financial report of Distressed Debt Fund is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Adoption of Wind-up Basis of Accounting

Without modification to the opinion expressed above, we draw attention to Note 1 in the financial report. As disclosed in Note 1, the Responsible Entity of Distressed Debt Fund has adopted the wind up basis of accounting at 30 June 2011. The wind up basis of accounting requires the Fund to state assets at their estimated realisable values, liabilities at their anticipated settlement amounts and reclassify non-current assets and non-current liabilities as current. The ability of the Fund to continue to manage the realisation of assets and settlement of liabilities is dependent on the continued financial support of the Responsible Entity and the Fund's ability to undertake an orderly realisation of assets.

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants



Chris Chandran
Partner

Dated in Sydney this 1st day of December 2011