

This is the attachment, of 14 pages referred to in Form 7051 "Half Yearly Reports"



Ilan Zimmerman
Director

DISTRESSED DEBT FUND
ARSN 099 271 173

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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
INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

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DISTRESSED DEBT FUND
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DIRECTORS' REPORT OF THE RESPONSIBLE ENTITY

The Directors of Specialised Private Capital Limited (ABN 87 095 773 390), the Responsible Entity of the Distressed Debt Fund ("the Fund"), submit their report together with the financial report for the half-year ended 31 December 2010 and the independent review report thereon.

Directors

The names and details of Directors of the Responsible Entity in office during the financial period and until the date of this report are as follows:

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

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

No fees were paid to the Directors from the Fund during the period.

Principal Activities

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

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's principal activity during the financial period.

Review of Operations

The operating loss for the financial period of the Fund after providing for income tax amounted to \$56,703 (31 December 2009: profit \$171,571). The result for the half-year is in line with the directors of the Responsible Entity's expectations.

The value of the Fund's assets as at 31 December 2010 was \$1,293,956 (30 June 2010: \$1,943,056).

The Helmsman Capital Fund has fully called \$0.75 as at 31 December 2010.

Events Subsequent to Reporting Date

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. The Fund received two distributions from the underlying fund in June 2011 and September 2011, which were 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.

No other matters or circumstances have arisen since the end of the period 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.

Significant Changes in State of Affairs

No significant changes occurred in the Fund's state of affairs during the financial period.

Distribution Paid

The Fund did not declare or pay a distribution during the half-year ended 31 December 2010.

**DISTRESSED DEBT FUND
ARSN 099 271 173
DIRECTORS' REPORT OF THE RESPONSIBLE ENTITY**

Auditor's Independence Declaration

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 5.

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



Barry Zuckerman
Director

Dated in Sydney this ^{20th} day of October 2011

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF THE RESPONSIBLE ENTITY OF
DISTRESSED DEBT FUND**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Distressed Debt Fund for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Moore Stephens Sydney
Chartered Accountants



Chris Chandran
Partner

Dated in Sydney this 28th day of October 2011

DISTRESSED DEBT FUND
ARSN 099 271 173
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010 \$	31 December 2009 \$
Revenue from ordinary activities	2	9,771	245,340
Administrative and general expenses		<u>(66,474)</u>	<u>(73,769)</u>
Net (loss)/profit attributable to unitholders		<u>(56,703)</u>	<u>171,571</u>
Finance costs attributable to unitholders			
Net decrease/(increase) in net assets attributable to unitholders		<u>56,703</u>	<u>(171,571)</u>
Net profit/(loss) for the half-year		<u>-</u>	<u>-</u>
Other comprehensive income/(loss)			
Devaluation of financial assets		<u>(599,797)</u>	<u>(112,862)</u>
Total comprehensive loss for the period		<u>(599,797)</u>	<u>(112,862)</u>

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

DISTRESSED DEBT FUND
ARSN 099 271 173
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31 December 2010 \$	30 June 2010 \$
Assets			
Cash and cash equivalents		393,480	445,832
Trade and other receivables		6,787	3,738
Financial assets	3	893,689	1,493,486
Total assets		1,293,956	1,943,056
Liabilities			
Trade and other payables	6	1,138,667	1,131,267
Total liabilities (excluding net assets attributable to unitholders)		1,138,667	1,131,267
Net assets attributable to unitholders	4	155,289	811,789
Total liabilities		1,293,956	1,943,056

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

CONDENSED 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 half-year and as such the Fund is not required to prepare a Statement of Changes in Equity.

DISTRESSED DEBT FUND
ARSN 099 271 173
CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31 December 2010 \$	31 December 2009 \$
Cash flows from operating activities		
Payments to suppliers	(57,661)	(58,346)
Payment of management fees	(4,458)	(12,470)
Distributions received	-	238,748
Interest received	9,767	6,573
	<u>9,767</u>	<u>6,573</u>
Net cash flows (used in)/provided by operating activities	<u>(52,352)</u>	<u>174,505</u>
Cash flows from financing activities		
Distributions paid	-	(70,286)
	<u>-</u>	<u>(70,286)</u>
Net cash flows used in financing activities	<u>-</u>	<u>(70,286)</u>
Net (decrease)/increase in cash held	<u>(52,352)</u>	<u>104,219</u>
Cash and cash equivalents at the beginning of the period	<u>445,832</u>	<u>394,991</u>
Cash and cash equivalents at the end of the period	<u>393,480</u>	<u>499,210</u>

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

DISTRESSED DEBT FUND
ARSN 099 271 173
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including *AASB 134: Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Distressed Debt Fund ("the Fund"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Fund. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Fund for the year ended 30 June 2010, together with any public announcements made during the half-year.

The accounting policies applied by the Fund in the interim financial statements are the same as those applied by the Fund for the year ended 30 June 2010.

Going Concern

There is a net current asset deficiency of \$738,400. 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 Directors of the Specialised Private Capital Limited to allow the Fund to meet its liabilities. It is the belief of the Directors of the Responsible Entity that such financial support will continue to be made available.

NOTE 2: REVENUE FROM ORDINARY ACTIVITIES

	31 December 2010	31 December 2009
	\$	\$
Interest income	9,771	6,592
Distribution income	-	238,748
	<u>9,771</u>	<u>245,340</u>

NOTE 3: FINANCIAL ASSETS

	31 December 2010	30 June 2010
	\$	\$
Units in unlisted Unit Trust, paid to 75 cents (30 June 2010 - 75 cents) - at cost	9,032,472	9,032,472
Devaluation	(1,298,768)	(698,971)
Provision for impairment	(6,840,015)	(6,840,015)
Units in unlisted Unit Trust - at fair value	<u>893,689</u>	<u>1,493,486</u>

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.

DISTRESSED DEBT FUND
ARSN 099 271 173
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 4: 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
Profit attributable to the Fund	-	-	101,947	-	101,947
Devaluation of financial assets	-	-	-	(1,368,889)	(1,368,889)
Balance at 30 June 2010	10,434,200	9,078,620	(7,567,860)	(698,971)	811,789
Loss attributable to the Fund	-	-	(56,703)	-	(56,703)
Devaluation of financial assets	-	-	-	(599,797)	(599,797)
Balance at 31 December 2010	10,434,200	9,078,620	(7,624,563)	(1,298,768)	155,289

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 31 December 2010.

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 5: DISTRIBUTIONS

The Fund during the half-year ended 31 December 2010, did not pay or declare any distributions.

NOTE 6: TRADE AND OTHER PAYABLES

	31 December 2010 \$	30 June 2010 \$
Distributions payable	3,271	3,586
Management fees	1,728	2,513
Performance fees	1,074,768	1,074,768
Expense recoveries	58,900	50,400
	1,138,667	1,131,267

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

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

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. The Fund received two distributions from the underlying fund in June 2011 and September 2011, which were 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.

No other matters or circumstances have arisen since the end of the period 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
ARSN 099 271 173
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 8: CONTINGENT LIABILITIES

In accordance with the Prospectus dated 22 March 2002, the Fund is due to pay a success fee to the Responsible Entity for outperformance over the benchmark (refer to the PDS for more details). The success fee is payable to the Responsible Entity at the end of the life of the Fund once all its investments are realised. The success fee of \$1,074,768 is recorded as a liability in Note 6.

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. Based on the net asset value of the Fund as at 31 December 2010, there is no further performance fee liability.

NOTE 9: COMMITMENTS

The Fund had a holding of 12,571,429 units in Helmsman Capital Fund, being a maximum commitment of \$12,571,429. As at 31 December 2010, total paid up capital was \$0.75 per unit, totalling \$9,428,572. The Helmsman Capital Fund has indicated that no further calls would be made on these units. Therefore there is no outstanding commitment as at 31 December 2010.

No other significant liabilities have arisen in the half-year ended 31 December 2010.

NOTE 10: ECONOMIC DEPENDENCY

Distressed Debt Fund has one investment, being the Helmsman Capital Fund. Accordingly, the economic viability of the Company is dependent on the performance of this Trust.

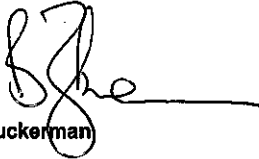
**DISTRESSED DEBT FUND
ARSN 099 271 173**

DIRECTORS' DECLARATION OF THE RESPONSIBLE ENTITY

The Directors of Specialised Private Capital Limited, the Responsible Entity declare that:

- a. The financial statements and notes of the Distressed Debt Fund ("the Fund"), as set out on pages 6 to 11 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - ii. giving a true and fair view of the financial position of the Fund as at 31 December 2010 and of its performance for the half-year ended on that date.
- b. In the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Barry Zuckerman
Director

Dated in Sydney this ^{20th} day of October 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Distressed Debt Fund ("the Fund"), which comprises the condensed statement of position as at 31 December 2010, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors of the responsible entity's declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Specialised Private Capital Limited, the responsible entity of the Fund are responsible for the preparation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standards on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the *Corporations Act 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and account matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's review report relates to the financial report of Distressed Debt Fund for the half-year ended 31 December 2010 included on the Fund's website. The directors of the responsible entity are responsible for the integrity of Fund's website. We have not been engaged to report on the integrity of the Fund's website. The auditor's review report refers only to the subject matter described above. It does not conclude on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Distressed Debt Fund is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Fund's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (ii) complying with *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*.


Moore Stephens Sydney
Chartered Accountants



Chris Chandran
Partner

Dated in Sydney this 28th day of October 2011