

# 2011

ADELAIDE MANAGED FUNDS  
ASSET BACKED YIELD TRUST

**Annual Financial Report**



# INDEX

<b>02</b>	Chairman's report
<b>04</b>	Executive team
<b>05</b>	Board of Directors
<b>06</b>	Corporate governance
<b>12</b>	Financial results
<b>14</b>	Directors' report
<b>16</b>	Auditor's report
<b>18</b>	Financial statements
<b>22</b>	Notes to the financial statements
<b>37</b>	Directors' declaration
<b>38</b>	Unitholder summary
<b>40</b>	Corporate directory

# CHAIRMAN'S REPORT



## Overview

This annual report is for the fifth operating year of the Adelaide Managed Funds Asset Backed Yield Trust (the Fund), which is listed on the Australian Stock Exchange.

On behalf of the Directors of Adelaide Managed Funds, I am pleased to present this Annual Report and to inform Unitholders that the execution of the Unitholder approved strategy to wind down the Fund over time has progressed well during the reporting period.

## Fund strategy

At an Extraordinary General meeting held in Adelaide on 17 September 2010, Unitholders voted overwhelmingly in favour of the implementation of an orderly wind down of the Fund, by returning capital to Unitholders as its underlying assets mature. This strategy was unanimously recommended to Unitholders by myself, the rest of the Board and Management, following the completion of a comprehensive review of the Fund in the previous year.

Having given consideration to the expected maturity dates of the Fund's assets, the Fund's original value proposition, the prevailing disconnect between the Fund's Unit price and Net Tangible Asset (NTA) backing, market conditions and investor feedback, the review found that an orderly wind down would achieve maximum value for Unitholders. It has been pleasing to see Unitholders begin realising this value over the financial year.

## Unitholder experience

Capital totalling \$1.51 per Unit has been returned to eligible Unitholders during the period, following the full repayment of the Fund's margin lending and medical equipment financing investments, and partial repayment of the agricultural managed investment scheme investment. Including the impact of the reduction in the impairment provision raised against this investment as at 30 June 2011, the \$0.01 income distribution paid 31 August 2011 and the \$0.03 capital return paid 9 September 2011, the Fund's financial year end NTA backing stands at \$0.29 per Unit.

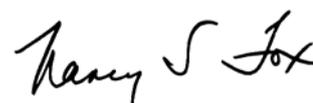
Total income distributions of 5.24 cents per Unit were also paid during the period, the lower level of interest income earned by the Fund relative to previous years reflective of the material amount of asset repayments. Whilst future income distributions are expected to be minimal, Unitholders should note that, since listing in August 2006, the Fund has now returned 22.04% on a total shareholder returns basis.

## Looking forward

It is forecast that the Fund's non-conforming mortgage investments will be fully repaid in the coming months. Following the return of this capital to Unitholders shortly thereafter, Adelaide Managed Funds expect to delist the Fund (subject to ASX approval). Subject to no superior proposals, the last remaining assets of the Fund (the agricultural managed investment scheme investments) will then be held to maturity, with any principal or interest received distributed to Unitholders as appropriate.

I, along with the rest of the Board, will continue to ensure that the wind down of the Fund is undertaken as efficiently as possible and that returns to Unitholders are maximised through the process.

Thank you for your continued support for the Fund.



**Ms Nancy Fox**  
Chairman  
BA, JD (Law), FAICD

# EXECUTIVE TEAM

## **Mr Bruce Speirs**

Chief Executive Officer  
B.Com MBA CA

Bruce Speirs joined Adelaide Bank in 2004 initially responsible for the management of both residential and asset backed securitisation programs. Bruce was appointed Chief Executive Officer of Adelaide Managed Funds in January 2007. Prior to joining Adelaide Bank, he spent 9 years working with Ernst & Young in the Audit and Corporate Finance teams in the Adelaide, London and Palo Alto offices. He holds a Bachelor of Commerce from Flinders University, a Masters of Business Administration from Macquarie Graduate School and is a member of the Institute of Chartered Accountants.

## **Mr Mark McKay**

Senior Portfolio Manager  
B.Ec B.Fin F Finsia

Mark McKay joined Adelaide Managed Funds in 2007 from HSBC's Structured Investment Vehicles division in London. Mr McKay has over 10 years of experience in banking and finance having also previously worked for Adelaide Bank, Elders and the South Australian Government Financing Authority. Mr McKay holds a Bachelor of Economics and Bachelor of Finance from the University of Adelaide along with a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia (now known as Finsia). He is also a Fellow of Finsia.

# BOARD OF DIRECTORS

## **Ms Nancy Fox**

Chairman (Independent Non-Executive)  
BA, JD (Law), FAICD

Ms Nancy Fox has been a Director of Adelaide Managed Funds since 2006 and was appointed Chairman in 2010. Ms Fox has over 25 years finance and investment banking experience. She has held a number of senior positions including Managing Director of Ambac Assurance Corporation, head of securitisation and structured finance at ABN AMRO (now RBS), AIDC and Citibank. Before moving to investment banking, she was an attorney in New York. Ms Fox was a National Committee member of the Australian Securitisation Forum for 9 years and received the Australian Securitisation Forum's inaugural Distinguished Service Award in 2005. She is also a board director for APA Ethane Limited and the Australian Theatre for Young People. Ms Fox also served as a board member of the Australian Youth Orchestra from 2001 to 2010.

## **Mr Stephen Treanor**

Independent Non-Executive  
BA (Econ), MBA (Fin)

Mr Stephen Treanor has been a Director of Adelaide Managed Funds since 2006. Mr Treanor is a financial consultant. Over the past 17 years, he has advised a wide range of companies on credit risk assessment, debt structuring, and the securitisation of financial assets. Previously, he was a commercial banker and credit analyst in the United States and served as managing director of the Australasian operations for Moody's Investors Service. Mr Treanor is also a professional director of securitisation related companies. Current directorships include Longreach CP Limited, Nexus Bonds Limited, Select Access Investments Limited, Bridging Capital Pty Limited and Structured Risk Alternatives Pty Limited.

## **Mr Bruce Speirs**

Non-Independent Executive  
B.Com MBA CA

Mr Bruce Speirs has been a Director of Adelaide Managed Funds since 2009. Bruce joined Adelaide Bank in 2004 initially responsible for the management of both residential and asset backed securitisation programs. Bruce was appointed Chief Executive Officer of Adelaide Managed Funds in January 2007. Prior to joining Adelaide Bank, he spent 9 years working with Ernst & Young in the Audit and Corporate Finance teams in the Adelaide, London and Palo Alto offices. He holds a Bachelor of Commerce from Flinders University, a Masters of Business Administration from Macquarie Graduate School and is a member of the Institute of Chartered Accountants.

# CORPORATE GOVERNANCE

## Introduction

Adelaide Managed Funds Limited (Adelaide Managed Funds) is the Responsible Entity of the Adelaide Managed Funds Asset Backed Yield Trust (the Fund). Adelaide Managed Funds is a wholly owned subsidiary of Bendigo and Adelaide Bank Limited (Bendigo and Adelaide Bank). Adelaide Managed Funds is committed to maintaining high standards of corporate governance. Adelaide Managed Funds will continue to review and improve their corporate governance practices, and in doing so will monitor developments in this field. Adelaide Managed Funds' website ([adelaidemanagedfunds.com.au](http://adelaidemanagedfunds.com.au)) will be updated from time to time as corporate governance practices change.

Adelaide Managed Funds' corporate governance practices have been developed with regard to the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council. Those recommendations may be viewed at [asx.com.au/about/corporate\\_governance/index.htm](http://asx.com.au/about/corporate_governance/index.htm)

All practices described in this statement are applied throughout the reporting period.

## The roles and responsibilities of the Board and Management\*

The Board of Adelaide Managed Funds is responsible for the overall corporate governance of Adelaide Managed Funds. Although responsibility for the operations of Adelaide Managed Funds is delegated by the Board to the Chief Executive Officer, the Board remains responsible for:

- > Approving management's recommended strategy for the Fund and monitoring achievement of objectives
- > Approving budgets and monitoring financial performance of the Fund
- > Appointing and removing the Chief Executive Officer
- > Approving the executive structure of Adelaide Managed Funds
- > Monitoring the performance of key service providers to the Fund against their contractual obligations
- > Monitoring the exercise of powers delegated to management
- > Approving expenditure beyond authority limits delegated to management
- > Approving and monitoring the investments of the Fund exercised through delegated authority of the Board Investment Committee
- > Monitoring systems of internal control and the management of risk exercised through delegated authority of the Board Audit and Risk Management Committee
- > Ensuring that transactions with related parties are undertaken on terms that would be reasonable had the parties been at arm's length. This responsibility is exercised through delegated authority of the Board Related Party Transactions Committee
- > Appointing the Fund's external and internal audit service providers, and
- > Ensuring appropriate resources are available to management.

The above division of responsibilities has been adopted by the Board. The governance of the Fund includes a variety of Board policies, many of which are referred to in this statement. All Board policies are reviewed and amended as required.

\*for references to management refer to the Executive management team, being those who may materially influence the integrity, strategy and operation of the Fund and its financial performance.

## The structure of the Board

Short biographies of the Directors of Adelaide Managed Funds are set out on page 5. The biographies contain details of the term of office of each Director, whether the Director is independent, together with details of the relevant skills, experience and expertise of each Director.

## Independence

The Board applies the criteria recommended by the ASX Corporate Governance Council to assess any relationships which may affect the ability of a Director to exercise independent judgement. During the financial year and as of 16 August 2011, the Board consists of a majority of independent Non-Executive Directors (refer also to page 5 of this Annual Report). The Board has a procedure for all Directors to disclose to the Board any interests or relationships they have which may relate to the affairs of Adelaide Managed Funds. The independence of its Non-Executive Directors is regularly assessed by the Board, including at the time a disclosure of the type described above is made.

During the financial year, the Chairman of each of the Board, Audit and Risk Management Committee, the Related Party Transactions Committee and the Investment Committee, was also an Independent Director. The Board undertakes a large amount of its governance responsibilities through Board Committees. Each of the Board Committees is comprised of a majority of Independent Directors. The Board is satisfied that, due to the Committees having a majority of independent members, these Committees will operate effectively to bring independent judgement in the exercise of their duties. Refer to page 8 for further information about the Committees.

No Independent Director:

- > Is a substantial Unitholder of the Fund or an officer of, or otherwise associated directly with, a substantial Unitholder of the Fund (a "substantial Unitholder" is a Unitholder who has an interest in 5% or more of the Units in the Fund)
- > Acts as a nominee or representative of any particular Unitholder
- > Has been employed in an Executive capacity by Adelaide Managed Funds, or Bendigo and Adelaide Bank Limited
- > Within the last three years has been a material professional adviser or material consultant to the Fund
- > Is a material supplier or customer of the Fund
- > Has a material contractual relationship with Adelaide Managed Funds (other than as a Director), or
- > Has served on the Board for a period that could, or could reasonably be perceived to, materially interfere with his or her ability to act in the best interests of Adelaide Managed Funds or the Fund.

Materiality is assessed on a case by case basis and includes quantitative and qualitative criteria.

### The role of the Chairman

The role of the Chairman includes:

- > Leading the Board
- > Ensuring the Board receives such information as Directors may require to discharge their duties
- > Representing the Board in public
- > Conducting Board meetings; and
- > Reviewing the performance of the Board and individual Directors.

### Retirement and re-election of Directors

There is no obligation under Adelaide Managed Funds' Constitution that a Director must retire from office after a certain period of time unless:

- > The Director has been appointed for a nominated term, or
- > The holding company, being Bendigo and Adelaide Bank, gives written notice to Adelaide Managed Funds that a Director must be removed from office.

### Selection and appointment of new Directors

The nomination and appointment of Directors will take place in accordance with Adelaide Managed Funds' Constitution and the Corporations Act. The Constitution allows Bendigo and Adelaide Bank to appoint new Directors.

The Board's policy for the nomination and appointment of Directors is to ensure the Board and its Committees have an appropriate mix of expertise and experience given the nature of the business of Adelaide Managed Funds and the markets in which it operates.

The Board reviews its composition and that of its Committees from time to time to ensure the requirements of its policy are met. This process may be undertaken with the support and assistance of the Governance and HR Committee of Bendigo and Adelaide Bank.

When a vacancy exists or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will seek and consider appropriate candidates for appointment.

### Board meetings

The Board's business is largely conducted by a program of regular meetings, together with such additional meetings as may be required from time to time.

The number of Board meetings held during the year and the attendance by each member is shown below.

Director	Meetings held while a member	Number of meetings attended
Stephen Treanor	8	8
Nancy Fox	8	8
Bruce Speirs	8	8

# CORPORATE GOVERNANCE

## Committees

A substantial part of the Board's business is conducted by Committees of the Board. The Board currently has three standing Board Committees, with the role of each being described below.

Any of the Committees may engage independent advisers as it determines necessary to assist it in carrying out its duties.

The minutes of each Committee meeting are circulated to all Directors and the agenda and papers for each meeting are available to all Directors. The Chair of each Committee provides a verbal report about the business of each Committee meeting to the next meeting of the Board.

Executives and other senior managers are required to attend and present at Board and Committee meetings and to answer questions from Directors. The Chair of each Committee also meets separately with relevant Executives, particularly in preparation for Committee meetings.

## Audit and Risk Management Committee

The Audit and Risk Management Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems and the internal and external audit functions.

The Audit and Risk Management Committee shall establish and review policies regarding operational risks and compliance. In doing so the Committee shall provide assistance to the Board in fulfilling the risk management component of its corporate governance responsibilities. Adelaide Managed Funds' ability to identify, measure, monitor and report about risk and compliance is fundamental to its performance. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books and records of Adelaide Managed Funds and the Fund.

The members of the Committee have free and unfettered access to senior management, the internal auditor, compliance plan auditor, the head of all risk management functions and external auditor at all times, and vice versa. Each of the internal auditor, external auditor and compliance plan auditor may raise matters with the Committee without reference to other Directors or senior management.

The number of Audit and Risk Management Committee meetings held during the year and the attendance by each member is shown below:

Director	Meetings held while a member	Number of meetings attended
Stephen Treanor	3	3
Nancy Fox	3	3
Bruce Speirs	3	3

## Investment Committee

The Investment Committee shall provide assistance to the Board in fulfilling the investment strategy and performance component of its corporate governance responsibilities.

In discharging its role, the Committee is responsible for establishing and maintaining investment strategy and policies, reviewing proposed investments, monitoring investment performance and establishing and maintaining policies in relation to credit, liquidity and market risks.

The number of Investment Committee meetings held during the year and the attendance by each member is shown below:

Director	Meetings held while a member	Number of meetings attended
Stephen Treanor	8	8
Nancy Fox	8	8
Bruce Speirs	8	8

## Related Party Transactions Committee

The Related Party Transactions Committee shall provide assistance to the Board in fulfilling its corporate governance responsibilities in relation to related party transactions undertaken by Adelaide Managed Funds in its role as Responsible Entity of the Fund. In discharging its role, the Committee is responsible for establishing and maintaining policies in respect of related party transactions and for reviewing proposed related party transactions to ensure that they are undertaken as allowed under law.

The number of Related Party Transaction Committee meetings held during the year and the attendance by each member is shown below:

Director	Meetings held while a member	Number of meetings attended
Stephen Treanor	0	0
Nancy Fox	0	0
Bruce Speirs	0	0

## Remuneration and Nomination Committee

The Board considers that it is appropriate for Adelaide Managed Funds not to have a Remuneration and Nomination Committee on the basis that:

- > Adelaide Managed Funds is a wholly owned subsidiary of Bendigo and Adelaide Bank
- > Neither the Fund nor Adelaide Managed Funds pay remuneration to the Executives of Adelaide Managed Funds
- > The Board of Adelaide Managed Funds is appointed by Bendigo and Adelaide Bank
- > Bendigo and Adelaide Bank has a Governance and HR Committee, which will provide support and assistance when needed, and
- > The size and nature of Adelaide Managed Funds' operations does not warrant it.

This is a variance from the ASX Corporate Governance Council's recommendations 2.4 and 8.1.

### **Ethical and responsible decision-making**

The Board expects Adelaide Managed Funds through its Directors, senior management and other employees to act in accordance with the Company's legal obligations, to act ethically and to consider the reasonable expectations of stakeholders.

The Board has adopted a Code of Conduct for Directors and Executives. The Code reflects Adelaide Managed Funds' attitude to the behaviour expected of its senior people. A copy of the Code of Conduct is available on Adelaide Managed Funds' website.

The Board has a procedure to require Directors to disclose to the Board any interests they have which relate to the affairs of Adelaide Managed Funds and the Fund.

In providing services to the Fund, each Executive, manager and employee is required to act in accordance with the standards set out in a Code of Conduct for all employees. The requirement to comply with these ethical standards is communicated to these parties. The Code of Conduct deals with standards of conduct for the Company's relationship with its Unitholders, staff and the community at large.

The Code of Conduct for all employees refers to employee loyalty and commitment to standards of behaviour which will ensure:

- > The business of the Fund is conducted in a way to comply with relevant laws and ethical standards
- > Employees behave as professionals, and
- > Employees do not disclose (without appropriate consent) confidential information.

In relation to the community at large, the Code of Conduct refers to Adelaide Managed Fund's obligation to contribute to the well being of the community, to demonstrate social responsibility, to be honest in business dealings, to exercise prudent financial management and to engage in activities which are not detrimental to the environment.

### **Unit ownership and trading policy**

The Board has adopted a Trading Policy in relation to trading in securities by Directors and staff. The key features of the policy, aimed at ensuring appropriate practice by Directors and staff, are:

- > A Director or employee may only subscribe for or trade in Units in the Fund when they are not in possession of unpublished price sensitive information and a black-out period does not apply
- > A black-out period automatically applies 10 weeks before until the next business day after the date of release of the Fund's half year and full year results announcements to ASX. The Board may also impose a black-out period at any time
- > Subject to the overriding requirements that the Director or employee is not in possession of unpublished price sensitive information and a black-out period does not apply, Directors and employees may subscribe or trade after first obtaining appropriate authority. In the case of independent Directors, that authority is required from the Board or the Bendigo and Adelaide Bank Group Managing Director and in the case of Executives after obtaining the authority of the Bendigo and Adelaide Bank Group Managing Director. In the case of employees authority must be obtained from the Bendigo and Adelaide Bank Executive, Banking and Wealth
- > The intention to trade and all executed trades by an Executive or Director are to be notified to the Company Secretary and, in the case of Directors, are recorded in the minutes of the next Board meeting
- > The Company Secretary is required to provide Directors and Executives with up to date guidelines in relation to the law on insider trading; and
- > The policy extends to options and financial products created over, or in respect of, Units in the Fund.

Each dealing by a Director in Units in the Fund must be reported to Adelaide Managed Funds Board and notified by Adelaide Managed Funds to the ASX, whilst each dealing by an Executive or Director must be reported to the Company Secretary.

A copy of the Trading Policy is available on Adelaide Managed Funds' website.

### **Access to information and independent advice**

The Board has adopted a procedure whereby Directors are entitled to take independent professional advice at the expense of Adelaide Managed Funds. In addition, the Board has full access to Adelaide Managed Funds' records.

### **Integrity in financial reporting**

Adelaide Managed Funds is committed to integrity and quality in its financial reporting. As mentioned above, the Board has established an Audit and Risk Management Committee with one of its roles being to review the integrity of the Fund's financial reporting. The Committee reviews the financial statements of the Fund. The Committee consists of three members, a majority of whom are Independent, Non-Executive Directors. The Charter of the Committee specifies a number of duties for the Committee, including:

- > To assess the appropriateness of the Fund's accounting policies and principles and disclosures and any changes to them
- > To ensure that management has in place an effective internal control system over financial reporting
- > To review the effectiveness of the Fund's financial reporting
- > To discuss with management and the external auditor the financial report of the Fund
- > To assess whether the financial report represents a true and fair view of the Fund's financial position and performance and complies with regulatory requirements
- > To review and approve the scope of the external audit plan and work program
- > To oversee Adelaide Managed Funds' compliance with statutory requirements and professional accounting requirements; and
- > To ensure the external auditor is not engaged to provide services that may impair or appear to impair judgement or independence.

# CORPORATE GOVERNANCE

## Timely and balanced disclosure

In recognition of Adelaide Managed Funds' obligations to make ongoing disclosures to ASX and ASIC as Responsible Entity of the Fund, Adelaide Managed Funds has developed a Continuous Disclosure Compliance System. The system consists of a Board policy and a set of procedures to be followed by Directors and Executives to ensure compliance with ASX Listing Rules and Corporations Act requirements and accountability for compliance at senior management level. The Board policy includes a commitment to compliance with the spirit, intention, purpose and substance of the continuous disclosure obligations imposed by the ASX Listing Rules and the Corporations Act. Adelaide Managed Funds' procedures have been adopted by the Board as part of its compliance system and all Directors and Executives are required to observe the requirements of the system.

The procedures are as follows:

- > Provide definition as to the type of information which is required to be disclosed
- > Set out a process and allocate responsibility for determining whether information is required to be disclosed
- > Provide for obtaining external advice where appropriate and allocate responsibility for final decisions about disclosure
- > Include a requirement for regular communications concerning the requirements of the ASX Listing Rules and Corporations Act to Directors and Executives and a requirement that the issue be a standing agenda item for Board meetings
- > Include a requirement for posting announcements on Adelaide Managed Funds' website
- > Include a process for managing the issue of market speculation and media comment, and
- > Address the issue of the confidentiality of corporate information where appropriate.

## Communications with Unitholders

The Board encourages communications between Adelaide Managed Funds and the holders of Units in the Fund. The Board acknowledges the importance of Unitholders receiving accurate and timely information about the Fund. The Board's strategy to promote effective communication with Unitholders consists of the following elements:

- > Regular announcements are made to the market
- > All relevant announcements made to the market and all related information (such as information provided to analysts or media during briefings) are accessible from Adelaide Managed Funds' website after they have been released to ASX
- > The full text of all notices of meeting and explanatory material are placed on Adelaide Managed Funds' website, and
- > Investor briefings are considered an effective forum in which to provide information to Unitholders. Such briefings will be held from time to time.

## Risk management

The Fund is exposed to a wide variety of risks and accordingly Adelaide Managed Funds' ability to identify, manage and report on those risks is a key component of the Fund's success. The principal risks can be described as:

- > Credit risk – the risk of loss from a counterparty defaulting in meeting its contractual obligations
- > Operational risk – the risk of loss from failed internal processes, people and systems, or from external events
- > Liquidity risk – the risk that the Fund will have insufficient funds to meet its obligations in an orderly fashion; and
- > Market risk – the risk that changes in market interest rates or other variables will negatively affect the Fund's earnings.

The key aspects of Adelaide Managed Funds' approach to risk management are:

- > In setting the risk strategy of the Fund the Board adopts appropriate policies in relation to the identification, assessment, management and monitoring of the above risks. All Board policies, including those concerning risk management, are subject to regular review, thereby ensuring the same remain appropriate for the risks applicable to the Fund
- > Executives of Adelaide Managed Funds have been allocated responsibility for the management of those risks, by implementing procedures and processes for the Fund. Whilst there are central policy units charged with responsibility for ensuring Adelaide Managed Funds has appropriate infrastructure for identification and assessment of risk, day to day risk management clearly rests with line managers
- > The Audit and Risk Management Committee and Investment Committee assist the Board in fulfilling its responsibilities in relation to risk management
- > Relevant Executives provide detailed reporting to the Committees regarding risk management
- > The Audit and Risk Management Committee Charter includes the oversight of Adelaide Managed Funds' internal control systems
- > The Board has engaged an internal audit service provider to review internal controls. The internal audit service provider is independent of the external auditor. The internal audit service provider has full access to the records of risk and control assessments, particularly for the purpose of internal audit planning and the conduct of internal audit reviews; and
- > The internal audit service provider reports to each of the Board and Management as necessary, and has full access to Management and the right to seek information and explanations about issues identified during their reviews.

### **Board and management performance**

Adelaide Managed Funds recognises that the success of the Fund depends in part upon the performance of the Board and senior management team. Adelaide Managed Funds' process for enhancing Board and management performance includes the following elements:

- > Adelaide Managed Funds has a comprehensive induction program for new Directors and Executives. The program for Directors includes meetings with Executives and Senior Managers
- > Through the office of the Chair, Directors are able to take independent professional advice at Adelaide Managed Funds' expense. Adelaide Managed Funds may be entitled to be reimbursed for such expenditure from the assets of the Fund
- > A performance evaluation for the Board, its Committees and its members will be conducted on an as needed basis
- > The performance of key Executives is evaluated in two ways. Each key Executive is set key performance indicators and performance is formally reviewed on an annual basis. In addition, key Executives regularly attend meetings of the Board and its Committees which enables the Board to evaluate their performance
- > Adelaide Managed Funds has a commitment to providing continuing information to its Directors in relation to industry issues and trends, as well as to continuing development of its Executives; and
- > As Executives and other staff are made available to Adelaide Managed Funds by Bendigo and Adelaide Bank to provide services under agreements between Adelaide Managed Funds and Bendigo and Adelaide Bank, the Board of Adelaide Managed Funds monitors the performance of Bendigo and Adelaide Bank against the relevant contractual obligations.

### **Remuneration**

Directors and Executives are not remunerated out of Fund property. Further information on amounts paid to Adelaide Managed Funds out of Fund property is disclosed in the Product Disclosure Statement and financial report.

All Executives involved in the management of the Fund are employees of Bendigo and Adelaide Bank. Adelaide Managed Funds considers recommendation 8.3 of the ASX Corporate Governance Council's recommendations in relation to distinguishing the nature of Executive remuneration from that of Non-Executive Director remuneration is not relevant to the Fund.

### **Application to Bendigo and Adelaide Bank**

Many services to the Fund are provided by Bendigo and Adelaide Bank staff under service agreements between Adelaide Managed Funds and Bendigo and Adelaide Bank. References in Adelaide Managed Funds' frameworks and policies to the responsibilities of Executives, management, staff or employees and the practices of Adelaide Managed Funds in respect of Executives, management, staff or employees apply to these individuals when providing services in respect of the Fund notwithstanding they are also employees of Bendigo and Adelaide Bank.

Annual Financial Report for the year  
ending 30 June 2011

ARSN 120 038 002

# FINANCIAL RESULTS





# DIRECTORS' REPORT

In accordance with the Corporations Act 2001, the Directors of Adelaide Managed Funds Ltd ('AMF') (ABN 81 062 274 533), the Responsible Entity of the Adelaide Managed Funds Asset Backed Yield Trust (the 'Fund') (ARSN 120 038 002), submit their report for the Fund for the year ended 30 June 2011.

## The manager

AMF has acted in the capacity of Responsible Entity of the Fund for the year ended 30 June 2011. Bendigo and Adelaide Bank Ltd ('Bendigo and Adelaide Bank') is the Custodian and Service Provider and as such has prepared these accounts.

## Directors

The names of the Directors of AMF during the year and until the date of this report (unless stated otherwise) are:

N Fox	(Chairman)
S Treanor	
B Speirs	

## Principal activities

The principal activity of the Fund during the year was the investment in notes backed by a range of loans and receivables including margin loans, non-conforming residential mortgages and agricultural managed investment schemes. At an Extraordinary General Meeting held on 17 September 2010, Unitholders approved the implementation of an orderly wind down of the Fund by returning capital to Unitholders as its underlying assets mature. Ultimately, the Fund will be delisted. Following delisting and upon realisation of the last remaining assets of the Fund, AMF will wind up and deregister the Fund.

## Results

The performance of the Fund for the year ended 30 June 2011, as represented by the results of its operations, was as follows:

<b>Interest income</b>	\$5,966,681
<b>Finance costs -</b>	
Distribution to Unitholders:	\$4,932,942
<b>The total value of assets -</b>	
held by the Fund as at 30 June 2011 was:	\$30,555,997
held by the Fund as at 30 June 2010 was:	\$171,442,624
The basis for valuation of the Fund's assets is disclosed in Note 2 to the financial statements.	
<b>Management fees -</b>	
payable to AMF during the financial year were:	\$824,549
payable to AMF during the 2010 financial year were:	\$1,918,499
No other fees were payable to AMF out of the Fund's property during the financial year.	
<b>The total number of Units -</b>	
issued as at 30 June 2011 was:	94,115,809
issued as at 30 June 2010 was:	94,115,809

## Fund information

The Fund is an Australian registered Trust. AMF, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at The Bendigo Centre, PO Box 480, Bendigo, VIC, 3552.

As at 30 June 2011 the Fund had no employees.

## Review of operations

The Fund maintained its holding of asset backed securities and as at 30 June 2011 had portfolio exposure to non-conforming residential mortgages and agricultural managed investment schemes. The revenue earned by the Fund was derived solely as interest from its cash and investment holdings.

The Fund reduced the impairment provision raised against its agricultural managed investment scheme investment by \$4,509,103 as at 30 June 2011 (30 June 2010: \$0.00). An outstanding impairment provision of \$10,532,220 still remains in place against this investment as at 30 June 2011 (30 June 2010: \$15,780,631). The resulting carrying value of the Fund's agricultural managed investment scheme investment as at 30 June 2011 was \$4,324,808 (30 June 2010: \$3,586,917).

The Fund received full repayment of its investment backed by margin loans in September 2010. In line with the implementation of an orderly wind down of the Fund, this capital was returned to Unitholders during the financial year.

### Distributions

During the year, income distributions were made for the quarter ended 30 September 2010 of 3.45 cents per Unit, for the quarter ended 31 December 2010 of 0.45 cents per Unit and for the quarter ended 31 March 2011 of 0.50 cents per Unit. On 16 August 2011, the Board resolved to pay a final distribution of 0.839 cents per Unit, payable on 31 August 2011.

In line with the implementation of an orderly wind down of the Fund, capital totalling \$1.51 per Unit was returned to Unitholders during the year to 30 June 2011 (30 June 2010: \$0.00 per Unit).

### Significant changes in the state of affairs

During the year there was no significant change in the state of affairs of the Fund other than that referred to in this Directors' Report, the financial statements or notes thereto.

### Significant events after balance date

No other matter or circumstance has arisen since 30 June 2011, not otherwise dealt with in this report or the financial statements, that has significantly affected or may significantly affect:

- (i) the operation of the Fund in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Fund in subsequent financial periods.

### Likely developments

In the opinion of the Directors, disclosure of any further information on likely developments would be prejudicial to the Fund.

### Environmental issues

The operations of the Fund are not subject to particular or significant environmental regulations under a Commonwealth, State or Territory Law. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

### Insurance and indemnification for officers or auditors

#### Indemnification

The Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the Responsible Entity or an auditor of the Fund. So long as the officers of both the Manager and the Custodian act in accordance with the Constitution/Trust Deed and the Law, both parties remain fully indemnified out of the assets of the Fund against any losses incurred while acting on behalf of the Fund.

#### Insurance Premiums

During the financial year the Responsible Entity has paid premiums in respect of its Directors and officers for liability and legal expenses on insurance contracts for the financial year ended 30 June 2011. This entity has paid or agreed to pay in respect of the Fund, premiums in respect of such insurance contracts for the financial year ending 30 June 2012.

Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been Directors of the Responsible Entity or executive officers of the Responsible Entity and this entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

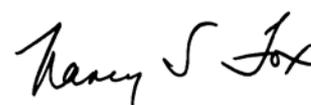
### Auditor's Independence Declaration

The audit of this financial report is in accordance with the declaration "Auditor's Independence Declaration to the Directors of Adelaide Managed Funds Limited as Responsible Entity for the Adelaide Managed Funds Asset Backed Yield Trust" on page 17.

### Rounding

The amounts contained in this report and the financial report have been rounded to the nearest thousand where rounding is applicable, under the option available to the Fund under ASIC Class Order 98/0100. The Fund is an entity to which this Class Order applies.

This report has been made in accordance with the resolution of Directors.



**Nancy Fox**  
Chairman  
16 August 2011  
Sydney

# AUDITOR'S REPORT



Ernst & Young Building  
121 King William Street  
Adelaide SA 5000 Australia  
GPO Box 1271 Adelaide SA 5001  
Tel: +61 8 8417 1600  
Fax: +61 8 8417 1775  
www.ey.com/au

## Independent auditor's report to the Unitholders of Adelaide Managed Funds Asset Backed Yield Trust

We have audited the accompanying financial report of Adelaide Managed Funds Asset Backed Yield Trust ("the Trust"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in net assets attributable to unitholders 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. The financial report has been prepared on a liquidation basis as the Trust is expected to wind down within the foreseeable future.

### Directors' Responsibility for the Financial Report

The directors of the Responsible Entity 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 controls relevant to the Trust'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 Trust's internal controls. 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*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

### Opinion

In our opinion:

- a. the financial report of Adelaide Managed Funds Asset Backed Yield Trust, which has been prepared on a liquidation basis, is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of Adelaide Managed Funds Asset Backed Yield Trust'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*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

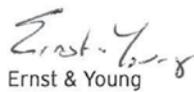
  
Ernst & Young

  
Mark Phelps  
Partner  
Adelaide  
16 August 2011

Liability limited by a scheme approved under  
Professional Standards Legislation

**Auditor's Independence Declaration to the Directors of Adelaide  
Managed Funds Limited as Responsible Entity for the Adelaide Managed  
Funds Asset Backed Yield Trust**

In relation to our audit of the financial report of Adelaide Managed Funds Asset Backed Yield Trust for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

  
Ernst & Young

  
Mark Phelps  
Partner  
Adelaide  
16 August 2011

# FINANCIAL STATEMENTS

## Statement of Comprehensive Income

For the year ended 30 June 2011	Note	Jun-11 \$000's	Jun-10 \$000's
<b>Income</b>			
Interest income	3(a)	5,967	16,505
Other income – reduction in impairment provision	3(b)	4,509	-
<b>Total income</b>		<b>10,476</b>	<b>16,505</b>
<b>Expenses</b>			
Operating expenses	3(c)	1,034	2,190
Impairment provision	3(d)	-	12,318
Interest expense		-	10
<b>Total expenses</b>		<b>1,034</b>	<b>14,519</b>
<b>Net profit before finance costs and income tax</b>		<b>9,442</b>	<b>1,987</b>
Finance costs: Distribution to Unitholders	3(e)	4,933	14,305
<b>Net profit / (loss) for the year</b>		<b>4,509</b>	<b>(12,318)</b>
Other comprehensive income		-	-
<b>Change in net assets attributable to Unitholders</b>		<b>4,509</b>	<b>(12,318)</b>
<b>Earnings per Unit – Basic and Diluted</b>	3(f)	Cents per Unit <b>10.03</b>	Cents per Unit <b>2.11</b>
<b>Distributable Earnings per Unit - Basic and Diluted</b>	3(g)	<b>5.24</b>	<b>15.35</b>

The above should be read in conjunction with the accompanying notes to the financial statements.

## Statement of Financial Position

<b>As at 30 June 2011</b>	<b>Note</b>	<b>Jun-11 \$000's</b>	<b>Jun-10 \$000's</b>
<b>Assets</b>			
Cash	4(a)	5,054	20,743
Trade and other receivables	5	147	849
Loans and receivables	6	25,355	149,851
<b>Total assets</b>		<b>30,556</b>	<b>171,443</b>
<b>Liabilities</b>			
Manager / Responsible Entity fees payable	7	119	518
Distribution payable	8	790	3,673
Provision for capital return	9	-	15,059
<b>Total liabilities excluding net assets attributable to Unitholders</b>		<b>909</b>	<b>19,250</b>
<b>Net assets attributable to Unitholders</b>		<b>29,647</b>	<b>152,193</b>
<b>Represented by:</b>			
Unitholders' funds	9	33,899	160,954
Accumulated losses		(4,252)	(8,761)
<b>Net assets attributable to Unitholders</b>		<b>29,647</b>	<b>152,193</b>

The above should be read in conjunction with the accompanying notes to the financial statements.

# FINANCIAL STATEMENTS

## Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2011

	Units on issue 000's	Net assets attributable to Unitholders \$000's
<b>Balance at 1 July 2009</b>	<b>94,116</b>	<b>179,570</b>
Net profit attributable to Unitholders	-	1,987
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>1,987</b>
Distribution to Unitholders	-	(14,305)
Provision for capital return	-	(15,059)
<b>Balance at 30 June 2010</b>	<b>94,116</b>	<b>152,193</b>
Net profit attributable to Unitholders	-	9,422
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>9,422</b>
Distribution to Unitholders	-	(4,933)
Capital returned to Unitholders	-	(127,055)
<b>Balance at 30 June 2011</b>	<b>94,116</b>	<b>29,647</b>

The above should be read in conjunction with the accompanying notes to the financial statements.

## Statement of Cash Flows

For the year ended 30 June 2011	Note	Jun-11 \$000's	Jun-10 \$000's
<b>Cash flows from operating activities</b>			
Interest received on investments		6,516	16,547
Interest received on cash deposit		267	179
Interest expense on borrowings		-	(10)
Manager fee paid		(1,223)	(1,922)
GST refunded / (paid)		11	(2)
Payments to service providers		(209)	(272)
<b>Net cash flows from operating activities</b>	<b>4(b)</b>	<b>5,362</b>	<b>14,520</b>
<b>Cash flows from financing activities</b>			
Distributions to Unitholders		(7,816)	(15,081)
<b>Net cash flows used in financing activities</b>		<b>(7,186)</b>	<b>(15,081)</b>
<b>Cash flows from investing activities</b>			
Principal receipts from investments		128,880	16,140
Capital returned to Unitholders		(142,115)	-
<b>Net cash flows from / (used in) investing activities</b>		<b>(13,235)</b>	<b>16,140</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(15,689)</b>	<b>15,579</b>
<b>Cash and cash equivalents held at 1 July 2010</b>		<b>20,743</b>	<b>5,164</b>
<b>Cash and cash equivalents held at 30 June 2011</b>		<b>5,054</b>	<b>20,743</b>

The above should be read in conjunction with the accompanying notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## **Note 1: Corporate information**

The financial report of the Fund for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 16 August 2011.

The Fund is an Australian registered Trust, constituted in August 2006.

AMF, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at The Bendigo Centre, PO Box 480, Bendigo, VIC, 3552.

The Fund is listed on the Australian Stock Exchange.

## **Note 2: Summary of significant accounting policies**

### **(a) Basis of accounting**

This general purpose financial report for the year ended 30 June 2011 has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements have also been complied with.

Following the outcome of the Extraordinary General Meeting on 17 September 2010, at which Unitholders approved the implementation of an orderly wind down of the Fund, the financial statements for the year ended 30 June 2011 have been prepared on a liquidation basis. The Directors continue to work through various scenarios with regards to the timing of the wind down.

The previous financial statements (in the annual financial report for the year ended 30 June 2010) were prepared on a going concern basis.

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.

The financial report is presented in Australian dollars.

### **(b) Application of Accounting Standards**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations that recently have been issued or amended but are not yet effective and have not been adopted for the reporting period ended 30 June 2011 are:

## Note 2: Summary of significant accounting policies (continued)

### (b) Application of Accounting Standards (continued)

Reference	Title	Summary	Application date of standard*	Impact on Fund financial report	Application date for Fund*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on:</p> <ol style="list-style-type: none"> <li>(1) the objective of the entity's business model for managing the financial assets;</li> <li>(2) the characteristics of the contractual cash flows.</li> </ol> <p>This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	01/01/2013	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>This Standard shall be applied when AASB 9 is applied.</p>	01/01/2013	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2013

# NOTES TO THE FINANCIAL STATEMENTS

## Note 2: Summary of significant accounting policies (continued)

### (b) Application of Accounting Standards (continued)

Reference	Title	Summary	Application date of standard*	Impact on Fund financial report	Application date for Fund*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</p> <p>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</p> <p>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	01/01/2011	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2011
AASB 1054	Australian Additional Disclosures	<p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <p>(a) Compliance with Australian Accounting Standards</p> <p>(b) The statutory basis or reporting framework for financial statements</p> <p>(c) Whether the financial statements are general purpose or special purpose</p> <p>(d) Audit fees</p> <p>(e) Imputation credits</p>	01/07/2011	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2011

## Note 2: Summary of significant accounting policies (continued)

### (b) Application of Accounting Standards (continued)

Reference	Title	Summary	Application date of standard*	Impact on Fund financial report	Application date for Fund*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	01/01/2011	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	<p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	01/01/2011	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> <li>&gt; The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>&gt; The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	01/01/2013	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2013

# NOTES TO THE FINANCIAL STATEMENTS

## Note 2: Summary of significant accounting policies (continued)

### (b) Application of Accounting Standards (continued)

Reference	Title	Summary	Application date of standard*	Impact on Fund financial report	Application date for Fund*
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project  [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	01/07/2011	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2011
IFRS 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.  IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	01/01/2013	The Fund has not yet determined the extent of the impact of the amendments, if any.	01/07/2013

\*All other standards, amendments and interpretations that have been issued up to the date of signing, but are not yet effective, are not relevant to the entity and will have no impact on the results, financial position or disclosures by the entity.

## Note 2: Summary of significant accounting policies (continued)

### (c) Significant accounting judgements, estimates and assumptions

#### Significant accounting judgements

In the process of applying the Fund's accounting policies, management has made judgements, apart from those involving estimations, which have an impact on the amounts recognised in the financial statements. No judgements have been determined to be individually significant.

#### Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### Impairment of assets

The Fund determines whether its assets are impaired at least annually. This requires an estimation of the value of future cashflows. The Fund's policy on impairment is disclosed in Note 2(g).

### (d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and for the purpose of the Statement of Cash Flows includes cash at bank, bank deposits held at call and short term investments with an original maturity of three months or less.

### (e) Trade and other receivables

Receivables are amounts where settlement has not yet occurred. Receivables are carried at original amounts less any provision for uncollectible amounts. Interest is accrued at the reporting date from the last payment. Amounts are generally received within 30 days of being recorded as receivables. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

### (f) Investments

Investments are classified as loans and receivables. It is the Fund's intention to hold these investments to maturity.

### Loans and Receivables

Loans and receivables have fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective yield method. Gains and losses are recognised in the Statement of Comprehensive Income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These assets are derecognised when the rights to receive cash flows have expired or the Fund has transferred substantially all the risks and rewards of ownership.

### (g) Impairment of assets

Loan and investment assets are regularly reviewed to assess whether there is objective evidence that the loan asset or group of assets is impaired. If there is objective evidence that an impairment loss on the investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly or through use of a provision account. The amount of the loss shall be recognised in the Statement of Comprehensive Income.

A specific provision is made for all identified impaired loans and investments, and is recognised when there is reasonable doubt over the collectability of the principal balance and the interest in accordance with the respective loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as irrecoverable.

If it is determined that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, the asset is included in a group of assets according to their credit risk characteristics and that group of assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included

in a collective assessment of impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. Adjustments to the collective provisions are recognised as an expense in the Statement of Comprehensive Income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

### (h) Trade and other payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund, and include outstanding settlements on the purchase of investments and Manager/Responsible Entity fees payable. The carrying period is dictated by market conditions and is generally less than 30 days. Payables are measured at amortised cost.

### (i) Interest bearing liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised and through the amortisation process. Interest when charged by the lender is recognised as an expense on an accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2: Summary of significant accounting policies (continued)

### (j) Revenue

Interest income is recognised to the extent that it is probable the economic benefits will flow to the Fund and the income can be reliably measured. Interest income is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

### (k) Distributable income

Distributable Income will be a minimum of the Fund's taxable income for the relevant distribution period. However, if adjusted accounting income is greater than the Fund's taxable income, the Responsible Entity may distribute up to the amount of the adjusted accounting income.

### (l) Distribution of income

Income is distributed to Unitholders post the end of each quarter.

### (m) Income tax

Under current Income Tax Legislation, the Fund is not liable to pay income tax provided the Unitholders are presently entitled to the income of the Fund and the Fund fully distributes its taxable income.

### (n) Goods & Services Tax (GST)

Expenses incurred by the Fund are recognised net of the amount of GST that can be recovered from the Australian Taxation Office (ATO). Amounts recognised as receivables and payables at balance date are inclusive of GST. Reduced input tax credits (RITC) recoverable by the Fund from the ATO are recognised as receivables in the Statement of Financial Position.

### (o) Terms and conditions of Units on issue

Each Unit confers upon the Unitholder an equal interest in the Fund and is of equal value. A Unit does not confer an interest in any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- > have their Units redeemed;
- > receive income distributions;
- > attend and vote at meetings of Unitholders; and
- > participate in the termination and winding up of the Fund.

Unitholders funds are classified as financial liabilities.

### (p) Net assets attributable to Unitholders

Net assets attributable to Unitholders are represented by the residual interest in the assets of the Fund after deducting its liabilities. It is represented by Units to be issued and undistributed income attributable to Unitholders (otherwise termed as changes in net assets attributable to Unitholders). Costs directly attributable to the issue of Units are shown in net assets attributable to Unitholders as a deduction from the proceeds of issuance.

### (q) Derecognising of assets and liabilities

The derecognition of a financial instrument takes place when the Fund no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

**Note 3: Income, expenses and distribution to Unitholders**

	<b>Jun-11</b>	<b>Jun-10</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>(a) Interest income</b>		
Income from investments	6,092	16,630
Capitalised costs	(125)	(125)
	<b>5,967</b>	<b>16,505</b>
<b>(b) Other income - reduction in impairment provision</b>		
Reduction in impairment provision	4,509	-
	<b>4,509</b>	<b>-</b>
<b>(c) Operating expenses</b>		
Custodian fee	8	20
Manager's remuneration	825	1,918
Other operating expenses	201	252
	<b>1,034</b>	<b>2,190</b>
<b>(d) Impairment provision</b>		
Impairment provision	-	12,318
	<b>-</b>	<b>12,318</b>

No impairment provisions were expensed against any of the Fund's investments during the period ended 30 June 2011 (30 June 2010: \$12,318,000).

A reduction in the impairment provision noted against the Fund's agricultural managed investment scheme investment of \$4,509,103 was recognised as other income during the period ended 30 June 2011 (30 June 2010: \$0.00).

A total impairment provision of \$10,532,220 remains against the Fund's agricultural managed investment scheme investment as at 30 June 2011 (30 June 2010: \$15,780,631), due to reasonable doubt over the collectability of the full principal balance and interest owing to the Fund. This estimate of future losses is subject to a number of variables, including borrower behaviour, recovery of losses and assumed timing of cash flows.

The resulting carrying value of the Fund's agricultural managed investment scheme investment as at 30 June 2011 was \$4,324,808 (30 June 2010: \$3,586,917).

**(e) Finance costs - distribution to Unitholders**

	<b>Jun-11</b>		<b>Jun-10</b>	
	<b>Cents</b>	<b>\$000's</b>	<b>Cents</b>	<b>\$000's</b>
	<b>per Unit</b>		<b>per Unit</b>	
Accrued distribution at beginning of the period	(3.90)	(3,673)	(4.72)	(4,450)
Distributions paid during the period	8.30	7,816	16.02	15,082
Accrued distribution proposed and payable on 31 August 2011	0.84	790	3.90	3,673
Accrued distribution payable to Unitholders	-	-	-	-
	<b>5.24</b>	<b>4,933</b>	<b>15.20</b>	<b>14,305</b>

**(f) Earnings per Unit – basic and diluted**

Figures include any impairment provisions expensed during the period and any reduction in impairment provisions recognised as other income during the period.

	<b>Jun-11</b>	<b>Jun-10</b>
	<b>000's</b>	<b>000's</b>
Weighted average number of Units for the calculation of earnings per Unit	94,116	94,116

**(g) Distributable earnings per Unit – basic and diluted**

Figures exclude any impairment provisions expensed during the period and any reduction in impairment provisions recognised as other income during the period.

	<b>Jun-11</b>	<b>Jun-10</b>
	<b>000's</b>	<b>000's</b>
Weighted average number of Units for the calculation of distributable earnings per Unit	94,116	94,116

# NOTES TO THE FINANCIAL STATEMENTS

## Note 4: Cash and cash equivalents

	Jun-11 \$000's	Jun-10 \$000's
<b>(a) Reconciliation of cash and cash equivalents</b>		
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise:		
Cash at bank balance	5,054	20,743
Cash investments are valued in accordance with accounting policy Note 2(d)		
Average balance	5,411	5,368
Average interest rate	4.63%	3.75%
Maturity analysis based on remaining term to maturity at 30 June 2011:		
<b>At call</b>	<b>5,054</b>	<b>20,743</b>
<b>(b) Reconciliation of net profit attributable to Unitholders to net cash flows from operating activities</b>		
Net profit attributable to Unitholders	9,442	1,987
<b>Adjustments for non cash movements</b>		
Other income - reduction in impairment provision	(4,509)	-
Impairment expense	-	12,318
Unwind of capitalised costs	125	125
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	703	93
Increase/(decrease) in payables	(399)	(3)
<b>Net cash flows from operating activities</b>	<b>5,362</b>	<b>14,520</b>

## Note 5: Trade and other receivables

Accrued interest	144	835
Other receivables	3	14
	<b>147</b>	<b>849</b>
Maturity analysis based on remaining term to maturity at 30 June 2011:		
Less than 3 months	147	849

## Note 6: Loans and receivables

Loans and receivables at amortised cost	35,866	165,486
Acquisition costs	21	146
Provision for impairment – specific	(10,532)	(15,781)
	<b>25,355</b>	<b>149,851</b>
<b>Provision for impairment - specific</b>		
Opening balance	15,781	4,335
Increase in specific impairment provision	-	12,318
Decrease in specific impairment provision	(4,509)	-
Discount of impairment provision	(740)	(872)
Closing balance	<b>10,532</b>	<b>15,781</b>

No impairment provisions were expensed against any of the Fund's investments during the period ended 30 June 2011 (30 June 2010: \$12,318,000).

A reduction in the impairment provision noted against the Fund's agricultural managed investment scheme investment of \$4,509,103 was recognised as other income during the period ended 30 June 2011 (30 June 2010: \$0.00)

A total impairment provision of \$10,532,220 remains noted against the Fund's agricultural managed investment scheme investment as at 30 June 2011 (30 June 2010: \$15,780,631), due to reasonable doubt over the collectability of the full principal balance and interest owing to the Fund. This estimate of future losses is subject to a number of variables, including borrower behaviour, recovery of losses and assumed timing of cash flows.

The resulting carrying value of the Fund's agricultural managed investment scheme investment as at 30 June 2011 was \$4,324,808 (30 June 2010: \$3,586,917).

**Note 6: Loans and receivables (continued)**

	<b>Jun-11</b>	<b>Jun-10</b>
	<b>\$000's</b>	<b>\$000's</b>
Investments in margin lending programs	-	125,109
Investment in non-conforming mortgage programs	21,009	21,009
Investment in MIS programs (net of provision)	4,325	3,587
Acquisition costs	21	146
	<b>25,355</b>	<b>149,851</b>
Average balance of investments (including cash)	79,932	186,057
Average interest rate	6.75%	8.42%

**Note 7: Manager / Responsible Entity fees payable**

Manager/Responsible Entity fee	119	518
	<b>119</b>	<b>518</b>

**Note 8: Distribution payable**

The distribution payable is as follows:

Final Unit distribution proposed for the year ended 30 June 2011 (payable 31 August 2011)	790	3,673
Accrued distribution payable to Unitholders	-	-
	<b>790</b>	<b>3,673</b>

	<b>Cents per Unit</b>	<b>Cents per Unit</b>
Final Unit distributions proposed for the year ended 30 June 2011 (payable 31 August 2011)	0.84	3.90

**Note 9: Unitholders funds**

	<b>Jun-11</b>	<b>Jun-10</b>
	<b>\$000's</b>	<b>\$000's</b>
Units issued	192,107	192,107
Unit buyback	(8,678)	(8,678)
Capitalised issue costs	(7,416)	(7,416)
Provision for capital return (paid 19 July 2010)	-	(15,059)
Capital returned to Unitholders	(142,114)	-
	<b>33,899</b>	<b>160,954</b>

**Note 10: Auditors' remuneration**

	<b>Jun-11</b>	<b>Jun-10</b>
	<b>\$</b>	<b>\$</b>
The audit fee paid/payable by AMF to Ernst & Young on behalf of the Fund	35,000	30,000

**Note 11: Segment information**

The Fund operates in one business segment, being investment management. The Fund also operates from one geographic location, being Australia, from where its investing activities are managed. Revenue is derived from interest on investments.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 12: Financial instruments

The Fund's principal financial instruments comprise cash and investments. The main purpose of these financial instruments is to generate a return on Unitholder's funds. The Fund has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Fund does not enter into or trade financial instruments for speculative purposes.

The main risks arising from the Fund's financial instruments are interest rate risk, liquidity and cash flow risk, credit risk and market risk. The Responsible Entity reviews and agrees policies for managing these risks. The objectives, policies and process for managing these risks is disclosed below.

### (a) Net fair values

The Fund's Trade and Other Receivables assets are valued in accordance with Note 2(e).

It is the Fund's intention to hold investments to maturity and recover the carrying value through future cash flows received. Under AASB 7 however, the Fund is required to place fair value on the loan and receivable investments. For the

purposes of the fair value disclosure requirements under AASB 7, the calculation assumes that the Fund is required to liquidate its entire portfolio of investments immediately under current market conditions.

Some of the Fund's investments are illiquid. As a result, the Fund's ability to vary its portfolio in a timely fashion, to dispose of any or all assets or to receive a fair price for assets in response to changes in economic and other conditions may be limited. Furthermore, as the Fund acquires investments for which there is not a readily available market, the Fund's ability to obtain reliable information about the value of such investments may be limited.

Given the nature of estimations involved, the actual realised value for the portfolio in the event that it was liquidated may be higher or lower than the fair value disclosed. In determining fair value, the expected net cash flows applicable to each investment have been discounted to their present value, applying management assumptions of a discount rate equal to 2% for those investments that are not publically rated, and a further discount equal to 25% where a market for selling these assets immediately is not readily available.

Management's estimate of fair value as at 30 June 2011 is \$19,104,825 as compared to carrying value of \$25,333,809 (2010 fair value was \$98,385,283 as compared to carrying value of \$149,705,187).

The difference noted between the carrying value and estimated fair value as at 30 June 2011 does not necessarily indicate impairment with regard to the loan and receivable investments. The carrying value of these investments will be recovered over the term to maturity through future cash flows as noted above.

### (b) Interest rate risk exposures

Interest rates are managed on the basis that all of the Fund's investments earn a floating rate of return. Accordingly, distributions to Unitholders and the annualised distribution yield for the period from allotment to 30 June 2011 have moved up or down in line with changes in interest rates.

	Weighted average	Closing	Weighted average	Closing
	effective interest rate	balance	effective interest rate	balance
	Jun-11	Jun-11	Jun-10	Jun-10
	% p.a.	\$000's	% p.a.	\$000's
<b>Financial asset</b>				
Cash	4.63%	5,054	3.75%	20,743
Investments	9.84%	25,355	9.64%	149,851

Interest Rate Sensitivity based on balances as at 30 June 2011

	Increase in interest rate	Sensitivity of profit & loss (\$)	Decrease in interest rate	Sensitivity of profit & loss (\$)
<b>Financial asset</b>				
Cash	+1.00%	50,545	-0.50%	(25,272)
Investments	+1.00%	253,547	-0.50%	(126,774)

Interest Rate Sensitivity based on balances as at 30 June 2010

	Increase in interest rate	Sensitivity of profit & loss (\$)	Decrease in interest rate	Sensitivity of profit & loss (\$)
<b>Financial asset</b>				
Cash	+1.00%	207,433	-0.50%	(103,716)
Investments	+1.00%	1,498,513	-0.50%	(749,257)

**Note 12: Financial instruments (continued)****(b) Interest rate risk exposures (continued)**

Maturity Analysis based on the expected remaining term to maturity of the Fund's assets at 30 June 2011:

	Jun-11 \$000's	Jun-10 \$000's
<b>Cash</b>		
Less than 3 months	5,054	20,743
<b>Total</b>	<b>5,054</b>	<b>20,743</b>
<b>Investments</b>		
Less than 3 months	-	-
Between 3 months and 12 months	21,009	-
Between 1 years and 5 years	4,346	149,851
Greater than 5 years	-	-
<b>Total</b>	<b>25,355</b>	<b>149,851</b>

**(c) Liquidity and cash flow risk**

Some of the Fund's investments are illiquid. As a result of this illiquidity, the Fund's ability to vary its portfolio in a timely fashion, to dispose of underperforming assets or to receive a fair price for assets in response to changes in economic and other conditions may be limited. Furthermore, as the Fund acquires investments for which there is not a readily available market, the Fund's ability to obtain reliable information about the value of such investments may be limited.

The Fund manages its liquidity ratio on a monthly basis.

Maturity profile of liabilities:

<b>Maturity profile 30 June 2011</b>	<b>Less than 3 months</b>	<b>Between 3 months and 12 months</b>	<b>Between 1 year and 5 years</b>	<b>More than 5 years</b>
Management fees accrued	119,091	-	-	-
Capital return payable to Unitholders	-	-	-	-
Distribution payable to Unitholders	789,911	-	-	-
<b>Total</b>	<b>909,002</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Maturity profile 30 June 2010</b>	<b>Less than 3 months</b>	<b>Between 3 months and 12 months</b>	<b>Between 1 year and 5 years</b>	<b>More than 5 years</b>
Management fees accrued	517,509	-	-	-
Capital return payable to Unitholders	15,058,529	-	-	-
Distribution payable to Unitholders	3,673,340	-	-	-
<b>Total</b>	<b>19,249,378</b>	<b>-</b>	<b>-</b>	<b>-</b>

Unitholders funds are classified as financial liabilities and are not required to be redeemed by the Fund until 2086.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 12: Financial instruments (continued)

### (d) Credit risk exposures

Credit risk is one of the major risks faced by the Fund and may be broken down into two main categories:

- The risk that issuers of assets in which the Fund has invested (usually special purpose securitisation vehicles), are unable to make the interest payments or principal repayments when due; and
- The risk that the credit quality of the receivables in the underlying portfolio of assets held by the Fund deteriorates.

Obligations of issuers include the payment of scheduled interest and the repayment of the loans at maturity. Failure by an issuer to make these payments may lead to a reduction in yield and a loss of capital for noteholders. A decline in the credit quality of an investment held by the Fund could occur even though the issuer is meeting its obligations. This could occur in the event that the borrowers in the underlying portfolio of receivables begin to default or if market movements cause the value of security held as a proportion of the debt (loan to valuation ratio) to increase, making it more likely that borrowers will default. A decline in the credit quality of an investment held by the Fund could ultimately result in the issuer failing to meet its obligations or a loss of capital if the asset is sold prior to its maturity at a discount to its redemption rate.

The investment assets of the Fund are located in Australia. As at 30 June 2011 the underlying investments of the Fund are backed by high yielding assets including non-conforming residential mortgages and agricultural managed investment schemes.

Refer to Note 6 to review the concentration risk of the investment portfolio.

No impairment has been noted on any investment other than the MIS note investment as of 30 June 2011.

### (e) Market risk exposures

The Fund regularly monitors the concentration of its portfolio and its exposure to any given asset class, single borrower or single issuer. From time to time, the Fund may be less diversified than desired by the Investment Manager, particularly with regards to asset class. This may be driven by attractive yields available in certain asset classes or lack of investment opportunities.

## Note 13: Director disclosures

(a) The Directors of AMF during the financial year were :

N Fox	(Chairman)
S Treanor	
B Speirs	

(b) The Fund has not made, guaranteed or secured, directly or indirectly any loans to the Directors or their Director related entities during the year.

(c) The following Directors of AMF held Units in the fund as at 30 June 2011:

N Fox	7,500 Units
B Speirs	50,000 Units

No other Directors held any interests during the period covered by these financial reports. All interests held are on arms length basis and under normal circumstances.

(d) There were no Key Management Personnel (KMP) employed by the Fund.

## Note 14: Related parties disclosures

### (a) Key management personnel

Disclosures in relation to KMP during the year and until the date of this report are set out in Note 15.

### (b) Other related parties - the Responsible Entity

The Responsible Entity of the Fund is AMF whose immediate and ultimate holding company is Bendigo and Adelaide Bank.

As at 30 June 2011, the Fund invested \$5,054,482 in an at call account with Bendigo and Adelaide Bank. There are no fees payable on the account and interest is equivalent to the Reserve Bank of Australia cash rate.

All remuneration and fees have been calculated in accordance with the Trust Deed/Constitution. Manager/Responsible Entity remuneration amounted to \$824,549 for the year ended 30 June 2011 (30 June 2010: \$1,918,499).

## Note 15: Key management personnel

### (a) Key management personnel

The KMP of the Fund only includes persons who are KMP of the Responsible Entity. The names of the KMP of the Responsible Entity during the year and until the date of this report (unless otherwise stated) are:

N Fox	Chairman
S Treanor	Director
B Speirs	Chief Executive Officer / Director
M McKay	Senior Portfolio Manager

### (b) Compensation of key management personnel

KMP of the Responsible Entity are paid by Bendigo and Adelaide Bank in their roles as KMP of the Responsible Entity, not of the Fund. KMP of the Responsible Entity are not remunerated by the Fund.

No securities of the Fund were granted to any KMP during the year as compensation.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in Note 14(b).

### (c) Key management personnel's interest in financial instruments issued by the Fund

Interests in the Units issued by the Fund held by the KMP and their related entities at balance date are as follows:

		Jun-11 Units held	Jun-10 Units held
S Treanor	Director	-	-
N Fox	Chairman	7,500	7,500
B Speirs	Chief Executive Officer / Director	50,000	50,000
M McKay	Senior Portfolio Manager	57,720	37,720

# NOTES TO THE FINANCIAL STATEMENTS

## Note 15: Key management personnel (continued)

### (d) Distributions paid or payable by the Fund to key management personnel

Distributions paid or payable by the Fund to KMP and their related entities during the year are as follows:

<b>Distributions paid or payable</b>		<b>Jun-11</b>	<b>Jun-10</b>
		<b>\$</b>	<b>\$</b>
S Treanor	Director	-	-
N Fox	Chairman	393	1,151
B Speirs	Chief Executive Officer / Director	2,620	7,677
M McKay	Senior Portfolio Manager	2,334	2,906

### (e) Outstanding balances between the Fund and key management personnel

Outstanding balances between the Fund and the KMP and their related entities are as follows:

<b>Distributions payable</b>		<b>Jun-11</b>	<b>Jun-10</b>
		<b>\$</b>	<b>\$</b>
S Treanor	Director	-	-
N Fox	Chairman	63	293
B Speirs	Chief Executive Officer / Director	420	1,952
M McKay	Senior Portfolio Manager	484	1,472

## Note 16: Subsequent events

At its meeting on 16 August 2011, the Directors resolved to return 3.00 cents per Unit of capital to Unitholders on 9 September 2011.

Since 30 June 2011 there has not been any other matter or circumstances not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

# DIRECTORS' DECLARATION

In the opinion of the Directors of AMF:

- (a) the financial statements and notes of the Fund are 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 Accounting Standards and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2;
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

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



**Nancy Fox**  
Chairman  
16 August 2011  
Sydney

# UNITHOLDER SUMMARY

## Top 20 holders of fully paid Units as at 31 August 2011

Rank	Name	Units	% Issued capital <sup>*</sup>
1	J P Morgan Nominees Australia Limited	8,722,578	9.27%
2	Ayersland Pty Ltd	6,644,633	7.06%
3	Ayersland Pty Ltd	6,490,072	6.90%
4	The Australian National University	5,200,000	5.53%
5	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	4,599,923	4.89%
6	Questor Financial Services Limited <Tps Rf A/C>	3,718,273	3.95%
7	RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	3,407,684	3.62%
8	Ayersland Pty Ltd	2,694,089	2.86%
9	Pirie Street Nominees Pty Ltd <Mr John Philip Powell A/C>	2,500,000	2.66%
10	Aquasia Pty Ltd <Aquasia Fund No 1 A/C>	2,021,944	2.15%
11	Berne No 132 Nominees Pty Ltd <52293 A/C>	1,870,000	1.99%
12	Jarden Custodians Limited	1,250,000	1.33%
13	Cogent Nominees Pty Limited	1,239,161	1.32%
14	Sashimi Investments Pty Ltd	1,181,436	1.26%
15	Equity Trustees Limited	1,139,595	1.21%
16	C F Pye Pty Limited	1,026,027	1.09%
17	Donglen Pty Ltd <Donglen P/L Staff S/F A/C>	1,000,000	1.06%
18	Stanbox Pty Limited <The Salem Family Account>	870,000	0.92%
19	Mr Chris Cuffe + Mrs Natasha Cuffe <C&N Cuffe Family Super A/C>	741,633	0.79%
20	Mr Wenrong Lu	711,000	0.76%
	<b>TOTAL</b>	<b>57,028,048</b>	<b>60.59%</b>

<sup>\*</sup>Rounding differences may occur

## Substantial Unitholders as at 31 August 2011<sup>\*</sup>

Name	Units	% Issued capital
Ayersland Pty Ltd	16,043,794	17.05%
Challenger Financial Services Group Limited	8,672,578	9.21%
Blackrock Group	5,950,808	6.32%

<sup>\*</sup>In accordance with notices lodged with the ASX as at 31 August 2011.

### Range of Units as at 31 August 2011

Range	Total holders	Units	% Issued capital
1 - 1,000	27	16,205	0.02%
1,001 - 5,000	290	1,054,891	1.12%
5,001 - 10,000	289	2,629,159	2.79%
10,001 - 100,000	507	15,762,988	16.75%
≥100,001	85	74,652,566	79.32%
<b>TOTAL</b>	<b>1,198</b>	<b>94,115,809</b>	<b>100.00%</b>

### Voting rights and unmarketable parcels

Voting rights are one vote per Unit. The number of Unitholders as at 31 August 2011 is 1,198.

There were 92 unmarketable parcels (minimum parcel size is 2,084 Units) held as at 31 August 2011, as follows:

	Total holders	Units
Minimum \$500 parcel at \$0.24	92	143,108

### Additional Fund information

The Fund used the cash and assets in a form readily convertible to cash that it held at the time of admission to the ASX in a way consistent with its business objectives. Adelaide Managed Funds has entered into an Investment Management Agreement under which Bendigo and Adelaide Bank Limited will provide investment management services.

The Investment Management Agreement is based on the Investment and Financial Services Association (IFSA) standard investment management agreement. The Investment Management Agreement sets out the terms on which Bendigo and Adelaide Bank Limited will provide Investment Management Services to the Fund, including:

- > The powers and duties of Bendigo and Adelaide Bank Limited in investment decisions on behalf of the Fund
- > The investment instructions and objectives to which Bendigo and Adelaide Bank Limited must adhere when making investment decisions on behalf of the Fund
- > The process for approval by Adelaide Managed Funds of disposals and acquisitions of assets of the Fund
- > Bendigo and Adelaide Bank Limited's remuneration for its investment management services to the Fund
- > Bendigo and Adelaide Bank Limited's reporting obligations, and
- > The circumstances in which the agreement may be terminated, and the responsibilities of Bendigo and Adelaide Bank Limited in connection with the transition of its investment management functions.

# CORPORATE DIRECTORY

## **Responsible Entity**

Adelaide Managed Funds Limited  
ABN 81 062 274 533  
AFSL 240517

## **Registered Office**

The Bendigo Centre  
PO Box 480  
Bendigo VIC 3552

Telephone:  
1800 224 124

Email:  
[enquiries@adelaidemanagedfunds.com.au](mailto:enquiries@adelaidemanagedfunds.com.au)

Website:  
[adelaidemanagedfunds.com.au](http://adelaidemanagedfunds.com.au)

Responsible Entity Secretary:  
Mr David Oataway and Mr Mark Hall

## **Auditors**

Ernst & Young  
121 King William Street  
Adelaide SA 5000

## **Registry**

Computershare Investor Services Pty Ltd  
115 Grenfell Street  
Adelaide SA 5000



Adelaide Managed Funds