

ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST

ARSN 120 038 002

**ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDING 30 JUNE 2017**

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 2017.

THE MANAGER

AMF has acted in the capacity of Responsible Entity of the Fund for the year ended 30 June 2017. 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:

S Treanor
B Speirs
J Dawson (Chairman)

PRINCIPAL ACTIVITIES

The principal activity of the Fund during the year was the investment in notes backed by loans to agricultural managed investment scheme investors. There has been no significant change in the nature of this activity during the year. Upon the realisation of these last remaining assets, AMF will wind up and deregister the Fund.

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 2017 the Fund had no employees.

REVIEW OF OPERATIONS

The Fund is in the latter stages of an orderly wind down and as at 30 June 2017 had exposure solely to cash and agricultural managed investment schemes.

The carrying value of the Fund's agricultural managed investment scheme investment as at 30 June 2017 is nil (30 June 2016: nil), with the Fund having applied sufficient cash flows against initial principal invested. The majority of the cash flows received in relation to the Fund's agricultural managed investment scheme investment during the year ended 30 June 2017 have been reflected in the Fund's financial statements as amendments to the \$3,098,912 asset and equal but offsetting provision in place as at 30 June 2016 to account for accrued but unpaid interest income in relation to the Fund's agricultural managed investment scheme investment. As at 30 June 2017, no such asset and equal but offsetting provision remains. Cash flows received during the year ended 30 June 2017 in excess of \$3,098,912 have been treated as income for accounting purposes upon receipt. With the majority of underlying term loans having matured by 30 June 2017, the MIS portfolio now consists largely of charged-off (non-performing) loans.

As has been the case in previous periods, recoveries of funds and repayments to MIS Program Noteholders (including the Fund) during the year ended 30 June 2017 were made on a serial (pro-rata) basis (based on any outstanding amounts owing to Noteholders according to the MIS Program as opposed to the carrying value recognised by the Fund). Under the terms of the Trust Deed governing the program, the basis of the repayment could change to sequential (in priority of senior Noteholders) in the event of certain conditions. The conditions for this change have occurred, however at the discretion of the senior Noteholders, no change to the repayment structure has been implemented. In the event that Noteholders were to be repaid sequentially, the Fund would not receive any repayments on its investments until all outstanding senior Noteholders were fully repaid. As such, future cash flows cannot be accurately forecast and are materially dependent on any recoveries made with

respect to charged-off MIS Program loans. Future cash flows, if any, will be treated as income for accounting purposes upon receipt.

RESULTS

The performance of the Fund for the year ended 30 June 2017, as represented by the results of its operations, was as follows:

Total income:	\$765,269
Finance costs - Distribution to Unitholders:	\$3,776,985

Custodian fees payable to Bendigo and Adelaide Bank during the year ended 30 June 2017 were \$682 (30 June 2016: \$770).

At its meeting on 25 August 2016, the Directors resolved that AMF would recoup management fees entitled to AMF but unpaid for the period 1 July 2015 to 30 June 2016. The Directors also resolved that the Fund would recommence its regular quarterly management fee payment cycle to AMF from the period commencing 1 July 2016.

Management fees payable to AMF during the year ended 30 June 2017 were \$68,305 (30 June 2016: \$77,169). No other fees were payable to AMF out of the Fund's property during the year.

UNITS ON ISSUE

The total number of Units issued as at 30 June 2017 was 94,115,809 (30 June 2016: 94,115,809).

FUND ASSETS

The total value of assets held by the Fund as at 30 June 2017 was \$5,252,365 (30 June 2016: \$2,773,414). The basis for valuation of the Fund's assets is disclosed in Note 2 to the financial statements.

DISTRIBUTIONS

Total income distributions for the year to 30 June 2017 were 4.014 cents per Unit (30 June 2016: 1.297 cents per Unit). This includes the payment of an income distribution to Unitholders of 4.014 cents per Unit which is payable on 7 September 2017.

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

On 27 July 2017, the Information Service provided by Computershare Investor Services (whereby interested buyers and sellers of Units can be introduced) was temporarily suspended at the request of AMF. The temporary suspension occurred pending the expected receipt by AMF of a notification from Bendigo and Adelaide Bank which is likely to have a material impact on future cash flows in relation to the Fund's agricultural managed investment scheme investment. This notification may result in a change in the basis of payment of any monies to MIS Program Noteholders from serial to sequential (in priority of senior Noteholders). In the opinion of the Directors, if this change does occur it may be unlikely that any further cash flows will be received by the Fund. As at the date of this report, no notification has been received. Further information on the basis of payment of any monies to MIS Program Noteholders is contained in the Review of Operations section of this report.

On 17 August 2017, the Fund received \$259,638 in relation to its agricultural managed investment scheme investment. This cash flow (comprised of principal, interest and recoveries) will be treated as income for accounting purposes and will be reflected in the Fund's half year financial statements for the period ending 31 December 2017. With the carrying value of the Fund's agricultural managed investment scheme investment nil, future cash flows, if any, will also be treated as income for accounting purposes upon receipt.

No other matter or circumstance has arisen since 30 June 2017, 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 2017. 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 2018. 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 Adelaide Managed Funds Asset Backed Yield Trust" on page 6.

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



Jenny Dawson
Chairman
23 August 2017
Bendigo

Independent Auditor's Report to the Unitholders of Adelaide Managed Funds Asset Backed Yield Trust

Opinion

We have audited the financial report of Adelaide Managed Funds Asset Backed Yield Trust (the Trust), which comprises the statement of financial position as at 30 June 2017, 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 to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

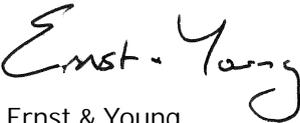
In preparing the financial report, the directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young

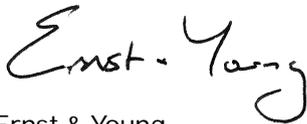


Mark Phelps
Partner
Adelaide
23 August 2017

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

As lead auditor for the audit of Adelaide Managed Funds Asset Backed Yield Trust for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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



Ernst & Young



Mark Phelps
Partner
Adelaide
23 August 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Jun-17 \$	Jun-16 \$
INCOME			
Interest income	3(a)	765,269	768,548
Total income		765,269	768,548
EXPENSES			
Operating expenses	3(b)	87,195	104,962
Provision for/(recovery of) accrued interest income	6	(3,098,911)	(557,520)
Total expenses		(3,011,716)	(452,558)
Net profit before finance costs		3,776,985	1,221,105
Finance costs: Distribution to Unitholders	3(c)	3,776,985	1,221,105
Net profit for the year		-	-
Other comprehensive income		-	-
Change in net assets attributable to Unitholders		-	-

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Jun-17 \$	Jun-16 \$
Assets			
Cash	4(a)	5,101,223	2,515,562
Trade and other receivables	5	6,404	257,852
Loans and receivables	6	165,395	-
Total assets		5,273,023	2,773,414
Liabilities			
Management / Responsible Entity fees payable	7	20,657	77,351
Distribution payable	8	3,778,266	1,221,964
Total liabilities (excluding net assets attributable to Unitholders)		3,798,923	1,299,315
Net assets attributable to Unitholders		1,474,099	1,474,099
Represented by:			
Net assets attributable to Unitholders		1,474,099	1,474,099

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR ENDED 30 JUNE 2017

	Units on issue	Net assets attributable to Unitholders \$
Balance at 30 June 2015	94,115,809	3,356,415
Net profit attributable to Unitholders	-	1,221,105
Other comprehensive income	-	-
Total comprehensive income	-	1,221,105
Distribution to Unitholders	-	(1,221,105)
Capital returned to Unitholders	-	(1,882,316)
Balance at 30 June 2016	94,115,809	1,474,099
Net profit attributable to Unitholders	-	3,776,985
Other comprehensive income	-	-
Total comprehensive income	-	3,776,985
Distribution to Unitholders	-	(3,776,985)
Capital returned to Unitholders	-	-
Balance at 30 June 2017	94,115,809	1,474,099

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Jun-17 \$	Jun-16 \$
Cash flows from operating activities			
Interest received on investments		3,903,470	1,029,370
Interest received on cash deposit		47,285	43,379
Manager fee paid		(130,638)	(30,163)
GST refunded		5,766	2,558
Payments to service providers		(19,540)	(28,909)
Net cash flows from operating activities	4(b)	3,806,344	1,016,236
Cash flows from financing activities			
Distributions to Unitholders		(1,220,682)	(738,810)
Capital Returned to Unitholders		-	(1,882,316)
Net cash flows used in financing activities		(1,220,682)	(2,621,126)
Cash flows from investing activities			
Receipts from investments	4(c)	-	1,582,860
Net cash flows generated by investing activities		-	1,582,860
Net increase / (decrease) in cash and cash equivalents		2,585,662	(22,030)
Cash and cash equivalents held at 1 July 2016		2,515,562	2,537,592
Cash and cash equivalents held at 30 June 2017		5,101,224	2,515,562

The above Statement of Cash Flows 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 2017 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 23 August 2017.

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.

NOTE 2 Summary of significant accounting policies

(a) Basis of accounting

This general purpose financial report for the year ended 30 June 2017 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.

The financial statements for the year ended 30 June 2017 have been prepared on a liquidation 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 2017 are:

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 9, and relevant amending standards	Financial Instruments	<p>AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p>	1-Jan-18	The Fund has not yet determined the extent of the impact of any amendments, if any.	1-Apr-18

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 9, and relevant amending standards (continued)	Financial Instruments (continued)	The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1-Jan-18	The Fund has not yet determined the extent of the impact of any amendments, if any.	1-Jul-18
AASB15, and relevant amending standards	Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: <ul style="list-style-type: none"> ▶ Step 1: Identify the contract(s) with a customer ▶ Step 2: Identify the performance obligations in the contract ▶ Step 3: Determine the transaction price ▶ Step 4: Allocate the transaction price to the performance obligations in the contract ▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation 	1-Jan-18	The Fund has not yet determined the extent of the impact of any amendments, if any.	1-Apr-18

*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.

NOTES TO THE FINANCIAL STATEMENTS

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).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 Summary of significant accounting policies (continued)

(g) Impairment of assets (continued)

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 income statement 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.

(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, if any, is distributed to Unitholders on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 Summary of significant accounting policies (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 Income, expenses and distribution to Unitholders

	Jun-17		Jun-16
	\$		\$
(a) Interest income			
Interest received on cash deposit	49,629		42,382
Interest received on investments (including interest received not previously brought to account)	715,640		726,165
	765,269		768,548
(b) Operating expenses			
Custodian fee	682		770
Manager's remuneration	68,305		77,169
Other operating expenses	18,208		27,023
	87,195		104,962
(c) Finance costs - distribution to Unitholders			
Number of Units	94,115,809		94,115,809
	Cents per Unit	\$	Cents per Unit
			\$
Accrued distribution at the beginning of the year	(1.298)	(1,221,964)	(0.786)
Distributions paid during the year	1.297	1,220,682	0.785
Accrued distribution proposed and payable on 7 September 2017	4.014	3,778,266	1.297
Accrued distribution payable to Unitholders	0.001	1,282	0.001
	4.014	3,778,266	1.297
			1,221,105

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 Cash

Jun-17
\$

Jun-16
\$

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise:

Cash at bank balance	5,101,223	2,515,562
Cash investments are valued in accordance with accounting policy Note 2(d)		
Average balance	3,268,803	2,159,410
Average interest rate	1.52%	1.96%
Maturity analysis based on remaining term to maturity at 30 June 2017:		
At call	<u>5,101,223</u>	<u>2,515,562</u>

(b) Reconciliation of net profit attributable to Unitholders to net cash flows from operating activities

Net Profit Attributable to Unitholders	3,776,985	1,221,105
<i>Changes in Assets and Liabilities</i>		
(Increase) / decrease in receivables	86,052	(252,702)
Increase / (decrease) in payables	(56,693)	47,833
Net cash flows from operating activities	<u>3,806,343</u>	<u>1,016,236</u>

(c) Receipts from investments

Cash flows received in relation to the Fund's agricultural managed investment scheme investment during the year ended 30 June 2017 have been treated as interest for presentation in the Statement of Cash Flows. Future cash flows in relation to the Fund's agricultural managed investment scheme investment, if any, will be treated as income for accounting purposes upon receipt.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 Trade and other receivables	Jun-17	Jun-16
	\$	\$
Accrued interest	5,804	257,775
Other receivables	600	76
	6,404	257,852
<i>Maturity analysis based on remaining term to maturity at 30 June 2017</i>		
Less than 3 months	6,404	257,852
	6,404	257,852
 NOTE 6 Loans and receivables	 Jun-17	 Jun-16
	\$	\$
Accrued interest	165,395	3,098,912
Provision – accrued interest	-	(3,098,912)
	165,395	-

The carrying value of the Fund's agricultural managed investment scheme investment as at 30 June 2017 is nil (30 June 2016: nil), with the Fund having applied sufficient cash flows against initial principal invested. The majority of the cash flows received in relation to the Fund's agricultural managed investment scheme investment during the year ended 30 June 2017 have been reflected in the Fund's financial statements as amendments to the \$3,098,912 asset and equal but offsetting provision in place as at 30 June 2016 to account for accrued but unpaid interest income in relation to the Fund's agricultural managed investment scheme investment. As at 30 June 2017, no such asset and equal but offsetting provision remains. Cash flows received during the year ended 30 June 2017 in excess of \$3,098,912 have been treated as income for accounting purposes upon receipt. With the majority of underlying term loans having matured by 30 June 2017, the MIS portfolio now consists largely of charged-off (non-performing) loans.

As has been the case in previous periods, recoveries of funds and repayments to MIS Program Noteholders (including the Fund) during the year ended 30 June 2017 were made on a serial (pro-rata) basis (based on any outstanding amounts owing to Noteholders according to the MIS Program as opposed to the carrying value recognised by the Fund). Under the terms of the Trust Deed governing the program, the basis of the repayment could change to sequential (in priority of senior Noteholders) in the event of certain conditions. The conditions for this change have occurred, however at the discretion of the senior Noteholders, no change to the repayment structure has been implemented. In the event that Noteholders were to be repaid sequentially, the Fund would not receive any repayments on its investments until all outstanding senior Noteholders were fully repaid. As such, future cash flows cannot be accurately forecast and are materially dependent on any recoveries made with respect to charged-off MIS Program loans. Future cash flows, if any, will be treated as income for accounting purposes upon receipt.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 Loans and receivables (continued)

	Jun-17 \$	Jun-16 \$
Average cash balance	3,268,803	2,159,410
Earnings on cash	49,629	42,382
Average interest rate	1.52%	1.96%
Average investment balance	-	-
Earnings on investments	715,640	726,165
Average interest rate*	n/a	n/a

*With the Fund's investment balance nil as at 30 June 2017 (30 June 2016: nil), no average interest rate has been calculated. Also, earnings on investments above does not contemplate movements over either period in the asset and equal but offsetting provision in place to account for accrued but unpaid interest income in relation to the Fund's agricultural managed investment scheme investment.

NOTE 7 Trade and other payables

	Jun-17 \$	Jun-16 \$
Management/Responsible Entity fee	20,657	77,351
	<u>20,657</u>	<u>77,351</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 Distributions proposed

The distribution payable is as follows:

Final Unit distributions proposed for the year ended 30 June 2017
(payable 7 September 2017)

Accrued distribution payable to Unitholders

	Jun-17 \$	Jun-16 \$
	3,776,984	1,220,682
	1,282	1,282
	3,778,266	1,221,964

	Cents per Unit	Cents per Unit
--	----------------	----------------

Final Unit distributions proposed for the year ended 30 June 2017
(payable 7 September 2017)

	4.014	1.297
--	-------	-------

NOTE 9 Auditor's remuneration

The audit fee paid/payable by AMF to
Ernst & Young on behalf of the Fund

	Jun-17 \$	Jun-16 \$
	29,000	40,500

NOTE 10 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.

NOTE 11 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 Unitholders 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 Financial instruments (continued)

(a) Net fair values (continued)

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. Management's estimate of the fair value of the Fund's investments as at 30 June 2017 as compared to 30 June 2016 is as follows:

	Jun-17		Jun-16	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total Portfolio	-	-	-	-

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

In accordance with AASB 13, the Fund's investments for which fair value is estimated above are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, being:

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

As mentioned above, the Fund's ability to dispose of any or all assets or to receive a fair price for those assets in response to changes in economic and other conditions may be limited. Furthermore, as there is not a readily available market for the Fund's assets, the Fund's ability to obtain reliable information about the value of such investments is limited. This is reflected in the fair value estimation.

(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 2017 have moved up or down in line with changes in interest rates.

Interest Rate Sensitivity based on balances as at 30 June 2017

	Increase in Interest Rate	Sensitivity of Profit & Loss (\$)	Decrease in Interest Rate	Sensitivity of Profit & Loss (\$)
Financial asset				
Cash	+1.00%	51,012	-0.50%	(25,506)
Investments	+1.00%	-	-0.50%	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 Financial instruments (continued)

(b) Interest rate risk exposures (continued)

Interest Rate Sensitivity based on balances as at 30 June 2016

	Increase in Interest Rate	Sensitivity of Profit & Loss (\$)	Decrease in Interest Rate	Sensitivity of Profit & Loss (\$)
Financial asset				
Cash	+1.00%	25,156	-0.50%	(12,578)
Investments	+1.00%	-	-0.50%	-

Maturity Analysis based on the expected remaining term to maturity of the Fund's assets at 30 June 2017:

<i>Cash</i>	Jun-17	Jun-16
	\$	\$
Less than 3 months	5,101,223	2,515,562
Total	5,101,223	2,515,562

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 Financial instruments (continued)

(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:-

Maturity profile 30 June 2017	Less than 3 months	Between 3 months and 12 months	Between 1 year and 5 years	More than 5 years
Management fees accrued	20,657	-	-	-
Capital return payable to Unitholders	-	-	-	-
Distribution payable to Unitholders	3,778,266	-	-	-
Total	3,798,923	-	-	-
Maturity profile 30 June 2016	Less than 3 months	Between 3 months and 12 months	Between 1 year and 5 years	More than 5 years
Management fees accrued	77,351	-	-	-
Capital return payable to Unitholders	-	-	-	-
Distribution payable to Unitholders	1,221,964	-	-	-
Total	1,299,315	-	-	-

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 11 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 2017 the underlying investments of the Fund are backed by agricultural managed investment schemes.

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

(e) Market risk exposures

Whilst the Fund does monitor the concentration of its portfolio and its exposure to asset classes, borrowers and issuers, being in the latter stages of an orderly wind down, the Fund is not diversified and has exposure solely to agricultural managed investment schemes.

NOTE 12 Director disclosures

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

J Dawson (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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 Director disclosures (continued)

- (c) The following Directors of AMF held Units in the fund as at 30 June 2017:
- | | |
|----------|--------------|
| B Speirs | 50,000 Units |
|----------|--------------|
- No other Directors as at 30 June 2017 held any interests during the year 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 13 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 14.
- (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 2017, the Fund invested \$5,080,566 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. Management/Responsible Entity remuneration entitled to AMF amounted to \$68,305 for the year ended 30 June 2017 (30 June 2016: \$77,169). Custodian fees amounted to \$682 for the year ended 30 June 2017 (30 June 2016: \$770).
- As at 30 June 2017, Custodian fees of \$205 were payable to Bendigo and Adelaide Bank (30 June 2016: \$181).
- As at 30 June 2017, Management/Responsible Entity remuneration of \$20,453 was payable to AMF (30 June 2016: \$77,169).

NOTE 14 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:
- | | |
|-----------|------------------------------------|
| J Dawson | 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 13(b).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 Key management personnel (continued)

(c) Other key management personnel

In addition to the KMP noted above, AMF, the Responsible Entity of the Fund, is considered to be KMP with the authority for the strategic direction and management of the Fund.

(d) 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:

		Units held Jun-17	Units held Jun-16
S Treanor	Director	-	-
J Dawson	Chairman	-	-
B Speirs	Chief Executive Officer / Director	50,000	50,000
M McKay	Senior Portfolio Manager	57,720	57,720

(e) 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:

Distributions paid or payable		Jun-17	Jun-16
		\$	\$
S Treanor	Director	-	-
J Dawson	Chairman	-	-
B Speirs	Chief Executive Officer / Director	2,007	649
M McKay	Senior Portfolio Manager	2,317	749

(f) Outstanding balances between the Fund and key management personnel

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

Distribution payable		Jun-17	Jun-16
		\$	\$
S Treanor	Director	-	-
J Dawson	Chairman	-	-
B Speirs	Chief Executive Officer / Director	2,007	649
M McKay	Senior Portfolio Manager	2,317	749

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 Events after balance date

On 27 July 2017, the Information Service provided by Computershare Investor Services (whereby interested buyers and sellers of Units can be introduced) was temporarily suspended at the request of AMF. The temporary suspension occurred pending the expected receipt by AMF of a notification from Bendigo and Adelaide Bank which is likely to have a material impact on future cash flows in relation to the Fund's agricultural managed investment scheme investment. This notification may result in a change in the basis of payment of any monies to MIS Program Noteholders from serial to sequential (in priority of senior Noteholders). In the opinion of the Directors, if this change does occur it may be unlikely that any further cash flows will be received by the Fund. As at the date of this report, no notification has been received. Further information on the basis of payment of any monies to MIS Program Noteholders is contained in the Review of Operations section of this report.

On 17 August 2017, the Fund received \$259,638 in relation to its agricultural managed investment scheme investment. This cash flow (comprised of principal, interest and recoveries) will be treated as income for accounting purposes and will be reflected in the Fund's half year financial statements for the period ending 31 December 2017. With the carrying value of the Fund's agricultural managed investment scheme investment nil, future cash flows, if any, will also be treated as income for accounting purposes upon receipt.

Since 30 June 2017 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 accordance with a resolution of the Directors of AMF, I state that:

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 2017 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 2017.

On behalf of the Board of Directors:



Jenny Dawson
Chairman
23 August 2017
Bendigo