ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST

ARSN 120 038 002

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDING 30 JUNE 2014

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 2014.

THE MANAGER

AMF has acted in the capacity of Responsible Entity of the Fund for the year ended 30 June 2014. 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 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 2014 the Fund had no employees.

REVIEW OF OPERATIONS

The Fund maintained its holding of asset backed securities and as at 30 June 2014 had portfolio exposure to 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 $2,607,689 during the year ended 30 June 2014 (30 June 2013: $1,561,139). The key driver of this impairment provision reduction was the receipt of greater than forecast cash flows on the Fund's investments. An outstanding impairment provision of $3,638,043 still remains in place against this investment as at 30 June 2014 (30 June 2013: $6,425,561). The resulting carrying value of the Fund's agricultural managed investment scheme investment as at 30 June 2014 was $1,792,472 (30 June 2013: $1,733,876). Any loss ultimately incurred on these investments is dependent on a number of variables, including borrower behaviour, recovery of losses, timing of cash flows and the outcome of the trial of the class actions in relation to Great Southern, which commenced in the Supreme Court of Victoria on 29 October 2012 and concluded during the year ended 30 June 2014 (with parties awaiting judgement as at that date).

Repayments to MIS Program Noteholders (including the Fund) during the year ended 30 June 2014 were made on a serial (pro-rata) basis. 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.

RESULTS

The performance of the Fund for the year ended 30 June 2014, as represented by the results of its operations, was as follows:

Interest income:	$2,849,428
Finance costs - Distribution to Unitholders:	$76,860

Management fees payable to AMF during the financial year were $139,447 (30 June 2013: $159,783). No other fees were payable to AMF out of the Fund's property during the financial year.

UNITS ON ISSUE

The total number of Units issued as at 30 June 2014 was 94,115,809 (30 June 2013: 94,115,809).

FUND ASSETS

The total value of assets held by the Fund as at 30 June 2014 was $4,163,037 (30 June 2013: $3,563,361). 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 2014 were 0.08 cents per Unit (30 June 2013: 0.21 cents per Unit). This includes the payment of an income distribution to Unitholders of 0.08 cents per Unit which is payable on 18 September 2014.

In line with the ongoing orderly wind down of the Fund, capital totalling 2.00 cents per Unit was returned to Unitholders during the year to 30 June 2014 (30 June 2013: 4.50 cents 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

On 23 July 2014, Bendigo and Adelaide Bank announced that it had entered into an agreement to conclude the class actions brought by investors in agricultural managed investment schemes operated by Great Southern, ahead of the handing down of a judgement by the court. Under the agreement (which remains subject to approval by the court as at the date of this report), borrowers who are members of the class actions have admitted that their loans are valid and enforceable and have provided broad releases from future litigation. The reduction in the impairment provision raised against the Fund's agricultural managed investment scheme investment during the year ended 30 June 2014 does not contemplate the class action settlement. Approval of the agreed settlement terms by the court may result in a material change in underlying borrower behaviour and necessitate further revision to the impairment provision in future periods.

At its meeting on 4 September 2014, the Directors resolved to return 1.50 cents per Unit of capital to Unitholders on 18 September 2014. Payment of this capital return will reduce the Fund's net tangible asset backing by 1.50 cents per Unit.

No other matter or circumstance has arisen since 30 June 2014, 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 2014. 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 2015. 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 Ltd 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.

Nancy S Fox

Nancy Fox
Chairman
4 September 2014
Sydney

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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, which comprises the statement of financial position as at 30 June 2014, 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.

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 (b), 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 judgment, 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 entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 company 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 the Trust's financial position as at 30 June 2014 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 (b).

Ernst & Young

Ernst & Young

Mark Phelps

Mark Phelps
Partner
Adelaide
4 September 2014

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Auditor's Independence Declaration to the Directors of Adelaide Managed Funds Limited as Responsible Entity for 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 2014, 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

Ernst & Young

Mark Phelps

Mark Phelps
Partner
Adelaide
4 September 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Jun-14 $	Jun-13 $
INCOME			
Interest income	3(a)	241,739	418,734
Other income – reduction in impairment provision	3(b)	2,607,689	1,561,139
Total income		2,849,428	1,979,873
EXPENSES			
Operating expenses	3(c)	164,879	219,206
Total expenses		164,879	219,206
Net profit before finance costs		2,684,549	1,760,667
Finance costs: Distribution to Unitholders	3(d)	76,860	199,528
Net profit for the year		2,607,689	1,561,139
Other comprehensive income		-	-
Change in net assets attributable to Unitholders		**2,607,689**	**1,561,139**

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 2014

	Note	Jun-14 $	Jun-13 $
Assets			
Cash	4(a)	2,365,103	1,824,652
Trade and other receivables	5	5,462	4,833
Loans and receivables	6	1,792,472	1,733,876
Total assets		**4,163,037**	**3,563,361**
Liabilities			
Management / Responsible Entity fees payable	7	34,262	39,175
Distribution payable	8	78,722	199,505
Total liabilities (excluding net assets attributable to Unitholders)		**112,984**	**238,680**
Net assets attributable to Unitholders		**4,050,053**	**3,324,681**
Represented by:			
Unitholders funds	9	2,369,399	4,251,716
Accumulated gains / (losses)		1,680,654	(927,035)
Net assets attributable to Unitholders		**4,050,053**	**3,324,681**

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 2014

	Units on issue	Net assets attributable to Unitholders $
Balance at 30 June 2012	**94,115,809**	**5,998,754**
Net profit attributable to Unitholders	-	1,760,667
Other comprehensive income	-	-
Total comprehensive income	**-**	**1,760,667**
Distribution to Unitholders	-	(199,528)
Capital returned to Unitholders	-	(4,235,212)
Balance at 30 June 2013	**94,115,809**	**3,324,681**
Net profit attributable to Unitholders	-	2,684,549
Other comprehensive income	-	-
Total comprehensive income	**-**	**2,684,549**
Distribution to Unitholders	-	(76,860)
Capital returned to Unitholders	-	(1,882,317)
Balance at 30 June 2014	**94,115,809**	**4,050,053**

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 2014

	Note	Jun-14 $	Jun-13 $
Cash flows from operating activities			
Interest received on investments		179,830	347,462
Interest received on cash deposit		61,182	76,129
Manager fee paid		(144,361)	(169,399)
GST refunded		98	246
Payments to service providers		(25,431)	(59,423)
Net cash flows from operating activities	**4(b)**	**71,318**	**195,015**
Cash flows from financing activities			
Distributions to Unitholders		(197,643)	(58,917)
Capital Returned to Unitholders		(1,882,317)	(4,235,212)
Net cash flows used in financing activities		**(2,079,960)**	**(4,294,129)**
Cash flows from investing activities			
Principal receipts from investments		2,549,093	2,789,782
Net cash flows generated by investing activities		**2,549,093**	**2,789,782**
Net increase / (decrease) in cash and cash equivalents		540,451	(1,309,332)
Cash and cash equivalents held at 1 July 2013		1,824,652	3,133,984
Cash and cash equivalents held at 30 June 2014		**2,365,103**	**1,824,652**

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 2014 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 4 September 2014.

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 2014 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 2014 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 2014 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 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1-Jan-14	The Fund has not yet determined the extent of the impact of the amendments, if any.	1-Jul-14
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity’s business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) 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. (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. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)	1-Jan-15	The Fund has not yet determined the extent of the impact of the amendments, if any.	1-Jul-15

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 (continued)	Financial Instruments (continued)	► The remaining change is presented in profit or loss 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. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1.New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time In February 2014 the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018.	1-Jan-15	The Fund has not yet determined the extent of the impact of the amendments, if any.	1-Jul-15
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1-Jan-14	The Fund has not yet determined the extent of the impact of the amendments, if any.	1-Jul-14
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1-Jan-14	The Fund has not yet determined the extent of the impact of the amendments, if any.	1-Jul-14

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 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	1-Jan-14	The Fund has not yet determined the extent of the impact of the amendments, if any.	1-Jul-14

*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 the 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 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.

(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-14 $	Jun-13 $
(a) Interest income		
Income from investments	241,739	418,734
	241,739	**418,734**
(b) Other income – reduction in impairment provision		
Reduction in impairment provision	2,607,689	1,561,139
	2,607,689	**1,561,139**
(c) Operating expenses		
Custodian fee	1,392	1,594
Manager's remuneration	139,447	159,783
Legal expenses	-	29,840
Other operating expenses	24,040	27,989
	164,879	**219,206**

Legal expenses incurred during the year ended 30 June 2013 were in relation to the consideration by AMF of an unsolicited offer by Mercantile Investment Company Limited to acquire all of the Units in the Fund. The offer did not proceed.

(d) Finance costs - distribution to Unitholders		Jun-14		Jun-13
Number of Units		94,115,809		94,115,809
	Cents per Unit	**$**	**Cents per Unit**	**$**
Accrued distribution at the beginning of the year	(0.21)	(199,505)	(0.06)	(58,894)
Distributions paid during the year	0.21	197,643	0.06	58,917
Accrued distribution proposed and payable on 18 September 2014	0.08	78,681	0.21	197,643
Accrued distribution payable to Unitholders	0.00	41	0.00	1,862
	0.08	**76,860**	**0.21**	**199,528**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 Cash	**Jun-14 $**	**Jun-13 $**
(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	2,365,103	1,824,652
Cash investments are valued in accordance with accounting policy Note 2(d)		
Average balance	2,456,781	2,255,422
Average interest rate	2.52%	3.16%
Maturity analysis based on remaining term to maturity at 30 June 2014:		
At call	**2,365,103**	**1,824,652**

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

Net Profit Attributable to Unitholders	2,684,549	1,760,667
Adjustments for Non Cash Movements:		
Other income – reduction in impairment provision	(2,607,689)	(1,561,139)
Changes in Assets and Liabilities		
(Increase) / decrease in receivables	(629)	5,103
Increase / (decrease) in payables	(4,913)	(9,616)
Net cash flows from operating activities	**71,317**	**195,015**

NOTE 5 Trade and other receivables	**Jun-14 $**	**Jun-13 $**
Accrued interest	4,648	3,921
Other receivables	814	912
	5,462	**4,833**
Maturity analysis based on remaining term to maturity at 30 June 2014		
Less than 3 months	5,462	4,833
	5,462	4,833

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 Loans and receivables	**Jun-14 $**	**Jun-13 $**
Loans and receivables at amortised cost	5,430,515	8,159,437
Provision for impairment – specific	(3,638,043)	(6,425,561)
	1,792,472	**1,733,876**
Provision for impairment - specific		
Opening balance	6,425,561	8,334,162
Decrease in specific impairment provision	(2,607,689)	(1,561,139)
Unwind of impairment provision	(179,829)	(347,462)
Closing balance	**3,638,043**	**6,425,561**

No impairment provisions were expensed against any of the Fund’s investments during the year ended 30 June 2014 (30 June 2013: $nil).

A reduction in the impairment provision against the Fund’s agricultural managed investment scheme investment of $2,607,689 was recognised as other income during the year ended 30 June 2014 (30 June 2013: $1,561,139). The key driver of this impairment provision reduction was the receipt of greater than forecast cash flows on the Fund’s investments.

A total impairment provision of $3,638,043 remains noted against the Fund's agricultural managed investment scheme investment as at 30 June 2014 (30 June 2013: $6,425,561), 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, assumed timing of cash flows and the outcome of the trial of the class actions in relation to Great Southern, which commenced in the Supreme Court of Victoria on 29 October 2012 and concluded during the year ending 30 June 2014 (with parties awaiting judgement as at that date).

The resulting carrying value of the Fund’s agricultural managed investment scheme investment as at 30 June 2014 was $1,792,472 (30 June 2013: $1,733,876).

Repayments to MIS Program Noteholders (including the Fund) during the year ended 30 June 2014 were made on a serial (pro-rata) basis. 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.

Investment in MIS programs (net of provision)	1,792,472	1,733,876
	1,792,472	**1,733,876**
Average balance of the face value of investments (including cash but excluding provisions)	13,485,382	15,440,711
Average interest rate	0.46%	0.46%

NOTE 7 Trade and other payables	**Jun-14 $**	**Jun-13 $**
Manager/Responsible Entity fee	34,262	39,175
	34,262	**39,175**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 Distributions proposed	**Jun-14 $**	**Jun-13 $**
The distribution payable is as follows:		
Final Unit distributions proposed for the year ended 30 June 2014 (payable 18 September 2014)	78,681	197,643
Accrued distribution payable to Unitholders	41	1,862
	78,722	**199,505**
	Cents per Unit	**Cents per Unit**
Final Unit distributions proposed for the year ended 30 June 2014 (payable 18 September 2014)	0.08	0.21

NOTE 9 Unitholders funds	**Jun-14 $**	**Jun-13 $**
Units issued	192,107,142	192,107,142
Unit buyback	(8,677,812)	(8,677,812)
Capitalised issue costs	(7,416,263)	(7,416,263)
Capital returned to Unitholders	(173,643,668)	(171,761,351)
	2,369,399	**4,251,716**

NOTE 10 Auditors' remuneration	**Jun-14 $**	**Jun-13 $**
The audit fee paid/payable by AMF to Ernst & Young on behalf of the Fund	38,700	36,500

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 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 2014 as compared to 30 June 2013 is as follows:

	Jun-14		Jun-13	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total Portfolio	1,792,472	-	1,733,876	-

The difference noted between the carrying value and estimated fair value as at 30 June 2014 does not necessarily indicate impairment with regard to the loan and receivable investments. The 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 2014 have moved up or down in line with changes in interest rates.

Interest Rate Sensitivity based on balances as at 30 June 2014

	Increase in Interest Rate	Sensitivity of Profit & Loss ($)	Decrease in Interest Rate	Sensitivity of Profit & Loss ($)
Financial asset				
Cash	+1.00%	23,651	-0.50%	(11,826)
Investments	+1.00%	17,925	-0.50%	(8,962)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 Financial instruments (continued)

(b) Interest rate risk exposures (continued)

Interest Rate Sensitivity based on balances as at 30 June 2013

	Increase in Interest Rate	Sensitivity of Profit & Loss ($)	Decrease in Interest Rate	Sensitivity of Profit & Loss ($)
Financial asset				
Cash	+1.00%	18,247	-0.50%	(9,123)
Investments	+1.00%	17,339	-0.50%	(8,669)

Maturity Analysis based on the expected remaining term to maturity of the Fund's assets at 30 June 2014:

	Jun-14 $	Jun-13 $
Cash		
Less than 3 months		
Total	2,365,103	1,824,652
	2,365,103	**1,824,652**
Investments		
Less than 3 months	-	-
Between 3 months and 12 months	-	-
Between 1 year and 5 years	1,792,472	1,733,876
Greater than 5 years	-	-
Total	**1,792,472**	**1,733,876**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 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 2014	Less than 3 months	Between 3 months and 12 months	Between 1 year and 5 years	More than 5 years
Management fees accrued	34,262	-	-	-
Capital return payable to Unitholders	-	-	-	-
Distribution payable to Unitholders	78,722	-	-	-
Total	**112,984**	-	-	-
Maturity profile 30 June 2013	**Less than 3 months**	**Between 3 months and 12 months**	**Between 1 year and 5 years**	**More than 5 years**
Management fees accrued	39,175	-	-	-
Capital return payable to Unitholders	-	-	-	-
Distribution payable to Unitholders	199,505	-	-	-
Total	**238,680**	-	-	-

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 2014 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

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 Director disclosures (continued)

(c) The following Directors of AMF held Units in the fund as at 30 June 2014:

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 2014, the Fund invested $2,365,103 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 $139,447 for the year ended 30 June 2014 (30 June 2013: $159,783).

As at 30 June 2014, Management/Responsible Entity remuneration of $34,262 was payable to AMF and Bendigo and Adelaide Bank (30 June 2013: $39,175).

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) 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 Key management personnel (continued)

(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-14	Units held Jun-13
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	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-14 $	Jun-13 $
S Treanor	Director	-	-
N Fox	Chairman	6	16
B Speirs	Chief Executive Officer / Director	42	105
M McKay	Senior Portfolio Manager	48	121

(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-14 $	Jun-13 $
S Treanor	Director	-	-
N Fox	Chairman	6	16
B Speirs	Chief Executive Officer / Director	42	105
M McKay	Senior Portfolio Manager	48	121

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 Events after balance date

On 23 July 2014, Bendigo and Adelaide Bank announced that it had entered into an agreement to conclude the class actions brought by investors in agricultural managed investment schemes operated by Great Southern, ahead of the handing down of a judgement by the court. Under the agreement (which remains subject to approval by the court as at the date of this report), borrowers who are members of the class actions have admitted that their loans are valid and enforceable and have provided broad releases from future litigation. The reduction in the impairment provision raised against the Fund's agricultural managed investment scheme investment during the year ended 30 June 2014 does not contemplate the class action settlement. Approval of the agreed settlement terms by the court may result in a material change in underlying borrower behaviour and necessitate further revision to the impairment provision in future periods.

At its meeting on 4 September 2014, the Directors resolved to return 1.50 cents per Unit of capital to Unitholders on 18 September 2014. Payment of this capital return will reduce the Fund’s net tangible asset backing by 1.50 cents per Unit.

Since 30 June 2014 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 2014 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 2014.

On behalf of the Board of Directors:

Nancy S Fox

Nancy Fox
Chairman
4 September 2014
Sydney