

# **ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST**

ARSN 120 038 002

HALF YEAR FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

## DIRECTORS' REPORT

In accordance with the Corporations Act 2001, the Directors of Adelaide Managed Funds Limited ('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 half year ended 31 December 2017.

### The manager

AMF has acted in the capacity of Responsible Entity of the Fund for the half year ended 31 December 2017. Bendigo and Adelaide Bank Limited ('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 half 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 half 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 period. Upon the realisation of these last remaining assets (including accrued interest owing, to the extent possible), 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 31 December 2017 the Fund had no employees.

### Review of operations

The Fund is in the latter stages of an orderly wind down and as at 31 December 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 31 December 2017 is nil (30 June 2017: nil), with the Fund having applied sufficient cash flows against initial principal invested. Any cash flows received in relation to the Fund's agricultural managed investment scheme investment for the half year ended 31 December 2017 have been treated as income for accounting purposes.

On 19 September 2017, an Extraordinary Resolution was passed at a meeting of Voting Secured Creditors resulting in significant uncertainty in relation to the receipt of further cash flows by the Fund in relation to its agricultural managed investment scheme investment (with the senior Noteholder to receive any future cash flows in priority to the Fund until all monies owing to it are repaid in full). The potential for this change in repayment structure has previously been highlighted to Fund Unitholders in recent full and half year reports issued for the Fund.

With the majority of underlying term loans having matured by 31 December 2017, the MIS portfolio now consists largely of charged-off (non-performing) loans. In the opinion of AMF, it is uncertain as to whether any recoveries on these loans will be sufficient to repay monies owing to the senior Noteholder in full.

The Board of AMF continues to pursue its strategy to seek a wind up of the Fund, having regard to its regulatory and compliance obligations and in a manner where AMF is acting in the best interest of all unitholders. The due process required in order to achieve a wind up of the fund means that the timing of this is currently uncertain.

Since the launch of the Fund on 31 August 2006 income distributions to unitholders have totalled 75.3 cents per unit and capital payments have totalled 191.0 cents per unit (Initial Offer Price per unit \$2.00). This equates to a total shareholder return of 33.2% (2.6% annualised).

## Results

The interim financial report is to be read in conjunction with the 30 June 2017 annual financial report.

The performance of the Fund for the half year ended 31 December 2017, as represented by the results of its operations, was as follows:

Interest Income :	\$22,591
Finance Costs - Distribution to Unitholders:	\$239,035

Custodian fees payable to Bendigo and Adelaide Bank during the half year ended 31 December 2017 were \$301 (31 December 2016: \$436).

At its meeting on 7 November 2017, the Directors resolved that AMF would not charge management fees for the period commencing 1 October 2017, until further notice. However, AMF reserves the right to recoup any fees owing at a future point in time, subject to the Fund's capacity to pay.

Management fees payable to AMF during the half year ended 31 December 2017 were \$30,156 (31 December 2016: \$43,703). No other fees were payable to AMF out of the Fund's property during the half year.

## Units on issue

The total number of Units issued as at 31 December 2017 was 94,115,809 (31 December 2016: 94,115,809).

## Fund assets

The total value of assets held by the Fund as at 31 December 2017 was \$1,727,315 (30 June 2017: \$5,273,023).

## Distributions

No income distributions were payable for the half year to 31 December 2017 (31 December 2016: 0.00 cents per Unit).

Any income available for distribution to Unitholders will be distributed on an annual basis at a minimum.

No capital was returned to Unitholders during the half year ended 31 December 2017 (31 December 2016: 0.00 cents per Unit).

## Auditor's Independence Declaration

The auditor's review of this financial report is in accordance with the declaration "Auditor's Independence Declaration to the Directors of AMF as Responsible Entity for Adelaide Managed Funds Asset Backed Yield Trust" on page 5.

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



Jenny Dawson  
Chairman  
15 March 2018  
Bendigo

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

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Adelaide Managed Funds Asset Backed Yield Trust, which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration. The half-year financial report has been prepared on a liquidation basis as the Trust is in the process of winding up.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Adelaide Managed Funds Asset Backed Yield Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

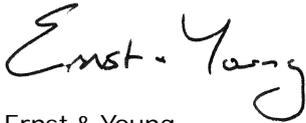
### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adelaide Managed Funds Asset Backed Yield Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Trust a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



Ernst & Young



Mark Phelps  
Partner  
Adelaide  
15 March 2018

## 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 review of Adelaide Managed Funds Asset Backed Yield Trust for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Mark Phelps  
Partner  
15 March 2018

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	Dec-17 \$	Dec-16 \$
<b>Income</b>			
Interest Income	3(a)	22,591	218,832
<b>Total Income</b>		<u>22,591</u>	<u>218,832</u>
<b>Expenses</b>			
Operating Expenses	3(b)	43,194	43,684
Provision for / (Recovery of) Accrued Interest Income		(259,638)	(2,044,811)
<b>Total Expenses</b>		<u>(216,444)</u>	<u>(2,001,127)</u>
<b>Net Profit Before Finance Costs</b>		<u>239,035</u>	<u>2,219,959</u>
Finance Costs - Distribution to Unitholders	3(c)	239,035	2,219,959
<b>Net Profit for the half year</b>		<u>-</u>	<u>-</u>
Other Comprehensive Income		-	-
<b>Change in Net Assets Attributable to Unitholders</b>		<u>-</u>	<u>-</u>

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 31 DECEMBER 2017

	Note	Dec-17 \$	Jun-17 \$
<b>Assets</b>			
Cash	4	1,724,688	5,101,223
Trade and Other Receivables	5	2,627	6,404
Loans and Receivables	6	-	165,395
<b>Total Assets</b>		<b>1,727,315</b>	<b>5,273,023</b>
<b>Liabilities</b>			
Management/Responsible Entity Fees Payable		13,723	20,657
Distribution Payable	7	239,493	3,778,266
<b>Total Liabilities (excluding net assets attributable to Unitholders)</b>		<b>253,216</b>	<b>3,798,923</b>
<b>Net Assets Attributable to Unitholders</b>		<b>1,474,099</b>	<b>1,474,099</b>
<b>Represented by:</b>			
<b>Net Assets Attributable to Unitholders</b>		<b>1,474,099</b>	<b>1,474,099</b>

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 HALF YEAR ENDED 31 DECEMBER 2017

	Units on Issue	Net Assets attributable to Unitholders \$
<b>Balance at 1 July 2016</b>	94,115,809	1,474,099
Net Profit Attributable to Unitholders	-	2,219,959
Other Comprehensive Income	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>2,219,959</b>
Distribution to Unitholders	-	(2,219,959)
Capital Returned to Unitholders	-	-
<b>Balance at 31 December 2016</b>	<b>94,115,809</b>	<b>1,474,099</b>
<b>Balance at 1 July 2017</b>	94,115,809	1,474,099
Net Profit Attributable to Unitholders	-	239,035
Other Comprehensive Income	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>239,035</b>
Distribution to Unitholders	-	(239,035)
Capital Returned to Unitholders	-	-
<b>Balance at 31 December 2017</b>	<b>94,115,809</b>	<b>1,474,099</b>

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 HALF YEAR ENDED 31 DECEMBER 2017

	Dec-17 \$	Dec-16 \$
<b>Cash flows from operating activities</b>		
Interest Received on Cash Deposit	26,199	18,666
Management/Responsible Entity Fees Paid	(40,157)	(94,877)
Custodian Fees Paid	(402)	(341)
GST Refunded	3,268	1,231
Payments to Service Providers	(12,667)	(12,362)
	<b>(23,759)</b>	<b>(87,683)</b>
<b>Cash flows from financing activities</b>		
Distributions to Unitholders	(3,777,809)	(1,220,682)
Capital Returned to Unitholders	-	-
	<b>(3,777,809)</b>	<b>(1,220,682)</b>
<b>Cash flows from investing activities</b>		
Receipts from Investments	425,033	2,162,615
	<b>425,033</b>	<b>2,162,615</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	(3,376,535)	854,250
<b>Cash and cash equivalents held at 1 July 2017</b>	5,101,223	2,515,562
<b>Cash and cash equivalents held at 31 December 2017</b>	<b>1,724,688</b>	<b>3,369,812</b>

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 half year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 9 March 2018.

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 preparation.

This general purpose condensed financial report for the half year ended 31 December 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 half year ended 31 December 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.

It is recommended that this half year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and considered together with any public announcements made by the Fund during the half year ended 31 December 2017.

Any public announcements made by the Fund during the half year ended 31 December 2017 are available on the AMF website ([www.adelaidemanagedfunds.com.au](http://www.adelaidemanagedfunds.com.au)).

#### (b) Changes in accounting policies

The financial statements for the half year ended 31 December 2017 have been prepared on a liquidation basis.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

<b>NOTE 3: Income, Expenses and Distribution to Unitholders</b>	<b>Dec-17</b>	<b>Dec-16</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Interest Income</b>		
Interest Received on Cash Deposit	22,591	19,299
Interest Received on Investments (including interest received not previously brought to account)	-	199,533
	<u><b>22,591</b></u>	<u><b>218,832</b></u>
<b>(b) Operating Expenses</b>		
Custodian Fee	301	318
Manager's Remuneration	30,156	31,847
Other Operating Expenses	12,737	11,519
	<u><b>43,194</b></u>	<u><b>43,684</b></u>
<b>(c) Finance Costs - Distribution to Unitholders</b>		
Number of Units	94,115,809	94,115,809
	<b>\$</b>	<b>\$</b>
Accrued Distribution at beginning of the period	(3,778,266)	(1,221,964)
Distributions Paid during the period	3,777,809	1,220,682
Accrued Distribution Payable to Unitholders	239,492	3,779,548
	<u><b>239,035</b></u>	<u><b>3,778,266</b></u>
 <b>NOTE 4: Cash</b>	 <b>Dec-17</b>	 <b>Jun-17</b>
<b>Reconciliation of Cash</b>	<b>\$</b>	<b>\$</b>
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash comprises:		
Cash at bank balance	<u><b>1,724,688</b></u>	<u><b>5,101,223</b></u>
Average Balance	2,987,598	3,268,803
Average Interest Rate	1.50%	1.52%
Maturity analysis based on remaining term to maturity at 31 December 2017:		
At call	<u><b>1,724,688</b></u>	<u><b>5,101,223</b></u>
 <b>NOTE 5: Trade and Other Receivables</b>	 <b>Dec-17</b>	 <b>Jun-17</b>
	<b>\$</b>	<b>\$</b>
Other Receivables	430	5,804
Accrued Interest	2,197	600
	<u><b>2,627</b></u>	<u><b>6,404</b></u>
Maturity analysis based on remaining term to maturity at 31 December 2017:		
Less than 3 months	<u><b>2,627</b></u>	<u><b>6,404</b></u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT)**

	Dec-17	Jun-17
	\$	\$
<b>NOTE 6: Loans and receivables</b>		
Accrued Interest	-	165,395
	<u>-</u>	<u>165,395</u>

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

The carrying value of the Fund's agricultural managed investment scheme investment as at 31 December 2017 is nil (30 June 2017: nil), with the Fund having applied sufficient cash flows against initial principal invested. Any cash flows received in relation to the Fund's agricultural managed investment scheme investment for the half year ended 31 December 2017 have been treated as income for accounting purposes.

On 19 September 2017, an Extraordinary Resolution was passed at a meeting of Voting Secured Creditors resulting in significant uncertainty in relation to the receipt of further cash flows by the Fund in relation to its agricultural managed investment scheme investment (with the senior Noteholder to receive any future cash flows in priority to the Fund until all monies owing to it are repaid in full). The potential for this change in repayment structure has previously been highlighted to Fund Unitholders in recent full and half year reports issued for the Fund.

With the majority of underlying term loans having matured by 31 December 2017, the MIS portfolio now consists largely of charged-off (non-performing) loans and any recoveries on these loans are, in the opinion of AMF, uncertain.

	Dec-17	Jun-17
	\$	\$
<b>NOTE 7: Distribution Payable</b>		
The Distribution Payable is as follows:		
Unit Distribution proposed for the period	-	3,776,984
Accrued Distribution Payable to Unitholders	239,493	1,282
	<u>239,493</u>	<u>3,778,266</u>
	<b>Cents per Unit</b>	<b>Cents per Unit</b>
Unit Distribution proposed for the period	0.25	4.01

Any income available for distribution to Unitholders will be distributed to Unitholders on an annual basis at a minimum.

**NOTE 8: Related Party Disclosures**

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

As at 31 December 2017 the Fund had \$1,724,688 invested in an at call account with Bendigo and Adelaide Bank. There are no fees payable on the account and the applicable interest rate is equivalent to the Reserve Bank of Australia cash rate.

All remuneration and fees have been calculated in accordance with the Trust Deed/Constitution. Custodian fees amounted to \$301 for the half year ended 31 December 2017 (31 December 2016: \$318).

As at 31 December 2017, Custodian fees of \$126 were payable Bendigo and Adelaide Bank (30 June 2017: \$205).

At its meeting on 7 November 2017, the Directors resolved that AMF would not charge management fees for the period commencing period 1 October 2017, until further notice. However, AMF reserves the right to recoup any fees owing at a future point in time, subject to the Fund's capacity to pay.

Management fees payable to AMF during the half year ended 31 December 2017 were \$30,156 (31 December 2016: \$31,846).

No other fees were payable to AMF out of the Fund's property during the half year.

**NOTE 9: 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/distributions on investments.

**NOTE 10: Subsequent Events**

Since 31 December 2017 there has not been any 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 31 December 2017 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard 'AASB 134 *Interim Financial Reporting*' and the Corporations Regulations 2001;

(b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors,



Jenny Dawson  
Chairman  
15 March 2018  
Bendigo