

ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST

ARSN 120 038 002

**HALF YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

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 2016.

THE MANAGER

AMF has acted in the capacity of Responsible Entity of the Fund for the half year ended 31 December 2016. 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:

J Dawson (Chairman)
S Treanor
B Speirs

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.

At 31 December 2016 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 2016 had exposure solely to cash and agricultural managed investment schemes.

No specific impairment provision is noted against the Fund's agricultural managed investment scheme investment as at 31 December 2016 (30 June 2016: nil).

The carrying value of the Fund's agricultural managed investment scheme investment as at 31 December 2016 is nil (30 June 2016: nil), with the Fund having now applied sufficient cash flows against initial principal invested. Cash flows of \$2,162,615 received in relation to the Fund's agricultural managed investment scheme investment for the half year ended 31 December 2016 have been treated as interest for accounting purposes and relate to interest accrued against the Fund's investments over time. Any future cash flows received in relation to the Fund's agricultural managed investment scheme investment will be treated as interest for accounting purposes. With the majority of underlying term loans having matured by 31 December 2016, the MIS portfolio now consists largely of charged-off (non-performing) loans. 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.

Given this, an asset of \$1,390,144 but also an offsetting provision of \$1,054,101 is in place to account for accrued but unpaid interest in relation to the Fund's agricultural managed investment scheme investment as at 31 December 2016 (31 June 2016: \$3,098,912). Any receipt of future cash flows will be reflected via amendments made to the asset and offsetting provision and, to the extent any cash remains after the expenses of the fund have been met, will be available for distribution to Unitholders on an annual basis at a minimum.

As has been the case in previous periods, repayments to MIS Program Noteholders (including the Fund) during the half year ended 31 December 2016 were made on a serial (pro-rata) basis (based on the remaining invested value of each Note outstanding 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.

RESULTS

The interim financial report is to be read in conjunction with the 30 June 2016 annual financial report.

The performance of the Fund for the half year ended 31 December 2016 as represented by the results of its operations, was as follows:

Interest Income:	\$218,832
Finance Costs - Distribution to Unitholders (Accrued):	\$2,219,959

Custodian fees payable to Bendigo and Adelaide Bank during the half year ended 31 December 2016 were \$318 (31 December 2015: \$436).

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 half year ended 31 December 2016 were \$31,846 (31 December 2015: \$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 2016 was 94,115,809 (31 December 2015: 94,115,809).

FUND ASSETS

The total value of assets held by the Fund as at 31 December 2016 was \$3,375,909 (30 June 2016: \$2,773,414).

DISTRIBUTIONS

No income distributions were payable for the half year to 31 December 2016 (31 December 2015: 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 2016 (31 December 2015: 2.00 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 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
17 February 2017
Bendigo

Report on the Half-Year Financial Report to the Unitholders of Adelaide Managed Funds Asset Backed Yield Trust

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 2016, 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.

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 controls as the directors determine are 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2016 and its 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.

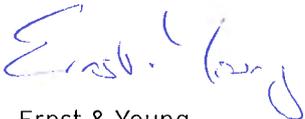
Independence

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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us 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 Trust's financial position as at 31 December 2016 and of its 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*.



Ernst & Young



Mark Phelps
Partner
Adelaide
17 February 2017



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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

As lead auditor for the review of Adelaide Managed Funds Asset Backed Yield Trust for the half-year ended 31 December 2016, 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
17 February 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Dec-16 \$	Dec-15 \$
INCOME			
Interest income	3(a)	218,832	25,727
Accrued interest income		-	264,924
Total income		218,832	290,651
EXPENSES			
Operating expenses	3(b)	43,684	17,971
Provision for non-recovery of accrued interest income recorded		(2,044,811)	264,924
Total expenses		(2,001,127)	282,895
Net profit before finance costs		2,219,959	7,756
Finance costs: Distribution to Unitholders	3(c)	2,219,959	7,756
Net profit for the half 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 31 DECEMBER 2016

	Note	Dec-16 \$	Jun-16 \$
Assets			
Cash	4(a)	3,369,812	2,515,562
Trade and other receivables	5	6,098	257,852
Loans and receivables	6	336,043	-
Total assets		3,711,953	2,773,414
Liabilities			
Management/Responsible Entity fees payable		16,613	77,351
Distribution payable	7	2,221,241	1,221,964
Total liabilities (excluding net assets attributable to Unitholders)		2,237,854	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 HALF YEAR ENDED 31 DECEMBER 2016

	Units on issue	Net assets attributable to Unitholders \$
Balance at 1 July 2015	94,115,809	3,356,415
Net profit attributable to Unitholders	-	7,756
Other comprehensive income	-	-
Total comprehensive income	-	7,756
Distribution to Unitholders	-	(7,756)
Capital returned to Unitholders	-	(1,882,316)
Balance at 31 December 2015	94,115,809	1,474,099
Balance at 1 July 2016	94,115,809	1,474,099
Net profit attributable to Unitholders	-	2,219,959
Other comprehensive income	-	-
Total comprehensive income	-	2,219,959
Distribution to Unitholders	-	(2,219,959)
Capital returned to Unitholders	-	-
Balance at 31 December 2016	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 HALF YEAR ENDED 31 DECEMBER 2016

	Note	Dec-16 \$	Dec-15 \$
Cash flows from operating activities			
Interest received on investments		-	-
Interest received on cash deposit		18,666	27,143
Management/Responsible Entity fees paid		(95,218)	(29,226)
Custodian fees paid		-	(538)
GST refunded		1,231	1,840
Payments to service providers		(12,362)	(18,728)
Net cash flows from operating activities		(87,683)	(19,509)
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(b)	2,162,615	1,115,094
Net cash flows generated by investing activities		2,162,615	1,115,094
Net increase/(decrease) in cash and cash equivalents		854,250	(1,525,541)
Cash and cash equivalents held at 1 July 2016		2,515,562	2,537,592
Cash and cash equivalents held at 31 December 2016	4(a)	3,369,812	1,012,051

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 2016 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 17 February 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 preparation

This general purpose condensed financial report for the half year ended 31 December 2016 has been prepared in accordance with *AASB134 Interim Financial Reporting* and the *Corporations Act 2001*.

This half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the annual financial report.

It is recommended that this half year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and considered together with any public announcements made by the Fund during the half year ended 31 December 2016.

Any public announcements made by the Fund during the half year ended 31 December 2016 are available on the AMF website (www.adelaidemanagedfunds.com.au).

(b) Changes in accounting policies

The financial statements for the half year ended 31 December 2016 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

NOTE 3 Income, expenses and distribution to Unitholders

	Dec-16	Dec-15
	\$	\$
(a) Interest income		
Interest received on cash deposit	19,299	25,727
Interest received on investments	199,533	-
Total interest income	218,832	25,727
(b) Operating expenses		
Custodian fee	318	436
Manager's remuneration	31,847	-
Other operating expenses	11,519	17,535
Total operating expenses	43,684	17,971
(c) Finance costs - distribution to Unitholders		
Number of Units	94,115,809	94,115,809
	\$	\$
Accrued distribution at beginning of the period	(1,221,964)	(739,668)
Distributions paid during the period	1,220,682	738,810
Accrued distribution payable to Unitholders	2,221,241	8,614
	2,219,959	7,756

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 Cash	Dec-16	Jun-16
	\$	\$
(a) Reconciliation of cash		
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash comprises:		
Cash at bank balance	3,369,812	2,515,562
Average balance	2,473,306	2,159,410
Average interest rate	1.55%	1.96%
Maturity analysis based on remaining term to maturity at 31 December 2016:		
At call	3,369,812	2,515,562
(b) Receipts from investments		
Cash flows received in relation to the Fund's agricultural managed investment scheme investment during the half year ended 31 December 2016 have been treated as interest for accounting purposes. Any future cash flows received in relation to the Fund's agricultural managed investment scheme investment will be treated as interest for accounting purposes.		
As at 31 December 2016, a provision is in place against accrued but unpaid interest income in relation to the Fund's agricultural managed investment scheme investment.		
NOTE 5 Trade and other receivables		
Other receivables	2,005	76
Accrued interest	4,093	257,775
	6,098	257,852
Maturity analysis based on remaining term to maturity at 31 December 2016:		
Less than 3 months	6,098	257,852
NOTE 6 Loans and receivables		
Accrued interest	1,390,144	3,098,912
Provision – accrued interest	(1,054,101)	(3,098,912)
	336,043	-

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 Loans and receivables (continued)

Provision – accrued interest		
Opening balance	3,098,911	3,656,431
Increase/(decrease) in provision	(2,044,811)	(557,520)
Closing balance	1,054,101	3,098,911

No specific impairment provision is noted against the Fund's agricultural managed investment scheme investment as at 31 December 2016 (30 June 2016: nil). The carrying value of the Fund's agricultural managed investment scheme investment as at 31 December 2016 was nil (30 June 2016: nil), with the Fund having now applied sufficient cash flows against initial principal invested. Cash flows received in relation to the Fund's agricultural managed investment scheme investment for the half year ended 31 December 2016 have been treated as interest for accounting purposes and relate to interest accrued against the Fund's investments over time. Any future cash flows received in relation to the Fund's agricultural managed investment scheme investment will be treated as interest for accounting purposes. With the majority of underlying term loans having matured by 31 December 2016, the MIS portfolio now consists largely of charged-off (non-performing) loans. 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.

Given this, an asset of \$1,390,144 but also an offsetting provision of \$1,054,101 is in place to account for accrued but unpaid interest in relation to the Fund's agricultural managed investment scheme investment during the half year 31 December 2016 (31 June 2016: \$3,098,912). Any receipt of future cash flows will be reflected via amendments made to the asset and offsetting provision and, to the extent any cash remains after the expenses of the fund have been met, will be available for distribution to Unitholders on an annual basis at a minimum.

Repayments to MIS Program Noteholders (including the Fund) during the half year ended 31 December 2016 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.

NOTE 7 Distribution payable

	Dec-16 \$	Jun-16 \$
The distribution payable is as follows:		
Unit distribution proposed for the period	-	1,220,682
Accrued distribution payable to Unitholders	2,221,241	1,282
	2,221,241	1,221,964
	Cents per Unit	Cents per Unit
Unit distribution proposed for the period	-	0.79

NOTES TO THE FINANCIAL STATEMENTS

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 2016, the Fund had \$3,369,812 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 \$318 for the half year ended 31 December 2016 (31 December 2015: \$436).

As at 31 December 2016, custodian fees of \$164 were payable to Bendigo and Adelaide Bank (30 June 2016: \$181).

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 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 half year ended 31 December 2016 were \$31,846 (31 December 2015: \$43,703). 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

On 17 January 2017, the Fund received \$336,043 in relation to its agricultural managed investment scheme investment. This cash flow (comprised of principal, interest and recoveries) will be treated as interest for accounting purposes and will be reflected through the accrued interest asset in the Fund's full year financial statements. The provision in place offsetting this accrued interest asset currently reflects receipt of these funds.

Since 31 December 2016 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 31 December 2016 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
17 February 2017
Bendigo