

ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST

ARSN 120 038 002

**HALF YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

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 2014.

THE MANAGER

AMF has acted in the capacity of Responsible Entity of the Fund for the half year ended 31 December 2014. 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:

N Fox (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, 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 2014 the Fund had no employees.

REVIEW OF OPERATIONS

The Fund maintained its holding of asset backed securities and as at 31 December 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 \$302,913 during the half year ended 31 December 2014 (31 December 2013: \$1,880,549). 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 \$3,262,218 still remains in place against this investment as at 31 December 2014 (31 December 2013: \$4,468,818). The resulting carrying value of the Fund's agricultural managed investment scheme investment as at 31 December 2014 was \$1,169,068 (31 December 2013: \$2,376,936). 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 settlement of the class actions in relation to Great Southern, the terms of which were approved by the Supreme Court of Victoria on 11 December 2014.

Repayments to MIS Program Noteholders (including the Fund) during the half year ended 31 December 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 interim financial report is to be read in conjunction with the 30 June 2014 annual financial report.

The performance of the Fund for the half year ended 31 December 2014 as represented by the results of its operations, was as follows:

Interest Income:	\$97,524
Finance Costs - Distribution to Unitholders:	\$21,594

Management fees payable to AMF during the half year ended 31 December 2014 were \$60,050 (31 December 2013: \$72,416). No other fees were payable to AMF out of Fund property during the half year.

UNITS ON ISSUE

The total number of Units issued as at 31 December 2014 was 94,115,809 (31 December 2013: 94,115,809).

FUND ASSETS

The total value of assets held by the Fund as at 31 December 2014 was \$2,993,804 (30 June 2014: \$4,163,037).

DISTRIBUTIONS

No income distributions were payable for the half year to 31 December 2014 (31 December 2013: 0.00 cents per Unit).

In line with the ongoing orderly wind down of the Fund, capital totalling 1.50 cents per Unit was returned to Unitholders during the half year ended 31 December 2014 (31 December 2013: 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 Adelaide Managed Funds Limited 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.



Nancy Fox
Chairman
26 February 2015
Sydney

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 2014, 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 2014 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.

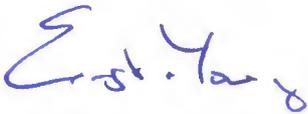
Independence

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 2014 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
26 February 2014



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working world

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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 review of the financial report of Adelaide Managed Funds Asset Backed Yield Trust for the half-year ended 31 December 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



Mark Phelps
Partner
Adelaide
26 February 2015

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Dec-14 \$	Dec-13 \$
INCOME			
Interest income	3(a)	97,524	106,651
Other income – reduction in impairment provision	3(b)	302,913	1,880,549
Total income		400,437	1,987,200
EXPENSES			
Operating expenses	3(c)	75,930	87,483
Total expenses		75,930	87,483
Net profit before finance costs		324,507	1,899,717
Finance costs: Distribution to Unitholders	3(d)	21,594	19,168
Net profit for the half year		302,913	1,880,549
Other comprehensive income		-	-
Change in net assets attributable to Unitholders		302,913	1,880,549

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 2014

	Note	Dec-14 \$	Jun-14 \$
Assets			
Cash	4	1,880,223	2,365,103
Trade and other receivables	5	4,513	5,462
Loans and receivables	6	1,169,068	1,792,472
Total assets		2,993,804	4,163,037
Liabilities			
Management/Responsible Entity fees payable		30,979	34,262
Distribution payable	7	21,597	78,722
Total liabilities (excluding net assets attributable to Unitholders)		52,576	112,984
Net assets attributable to Unitholders		2,941,228	4,050,053
Represented by:			
Unitholders' funds	8	957,662	2,369,399
Accumulated gains / (losses)		1,983,566	1,680,654
Net assets attributable to Unitholders		2,941,228	4,050,053

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 2014

	Units on issue	Net assets attributable to Unitholders \$
Balance at 1 July 2013	94,115,809	3,324,681
Net profit attributable to Unitholders	-	1,899,717
Other comprehensive income	-	-
Total comprehensive income	-	1,899,717
Distribution to Unitholders	-	(19,168)
Capital returned to Unitholders	-	-
Balance at 31 December 2013	94,115,809	5,205,230
Balance at 1 July 2014	94,115,809	4,050,053
Net profit attributable to Unitholders	-	324,507
Other comprehensive income	-	-
Total comprehensive income	-	324,507
Distribution to Unitholders	-	(21,594)
Capital returned to Unitholders	-	(1,411,737)
Balance at 31 December 2014	94,115,809	2,941,229

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 2014

	Dec-14 \$	Dec-13 \$
Cash flows from operating activities		
Interest received on investments	-	-
Interest received on cash deposit	25,505	28,426
Manager fee paid	(68,232)	(78,258)
GST refunded	5,472	6,202
Payments to service providers	(16,399)	(15,394)
	<hr/>	<hr/>
Net cash flows from operating activities	(53,654)	(59,024)
Cash flows from financing activities		
Distributions to Unitholders	(78,718)	(197,643)
Capital returned to Unitholders	(1,411,737)	-
	<hr/>	<hr/>
Net cash flows used in financing activities	(1,490,455)	(197,643)
Cash flows from investing activities		
Principal receipts from investments	999,229	1,313,683
	<hr/>	<hr/>
Net cash flows generated by investing activities	999,229	1,313,683
Net increase/(decrease) in cash and cash equivalents	(544,880)	1,057,016
Cash and cash equivalents held at 1 July 2014	2,365,103	1,824,652
	<hr/>	<hr/>
Cash and cash equivalents held at 31 December 2014	1,820,223	2,881,668

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 2014 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 26 February 2015.

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 2014 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 2014 and considered together with any public announcements made by the Fund during the half year ended 31 December 2014.

Any public announcements made by the Fund during the half year ended 31 December 2014 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 2014 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)

NOTE 3 Income, expenses and distribution to Unitholders	Dec-14	Dec-13
	\$	\$
(a) Interest income		
Income from investments	97,524	106,651
Total interest income	97,524	106,651
(b) Other income – reduction in impairment provision		
Reduction in impairment provision	302,913	1,880,549
Total other income	302,913	1,880,549
(c) Operating expenses		
Custodian fee	599	723
Manager's remuneration	60,050	72,416
Other operating expenses	15,281	14,344
Total operating expenses	75,930	87,483
(d) Finance costs - distribution to Unitholders		
Number of Units	94,115,809	94,115,809
	\$	\$
Accrued distribution at beginning of the period	(78,722)	(199,505)
Distributions paid during the period	78,719	197,643
Accrued distribution payable to Unitholders	21,597	21,030
	21,594	19,168

NOTES TO THE FINANCIAL STATEMENTS (CONT)

NOTE 4 Cash	Dec-14	Jun-14
	\$	\$
Reconciliation of cash		
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash comprises:		
Cash at bank balance	1,820,223	2,365,103
Average balance	1,952,893	2,456,781
Average interest rate	2.50%	2.52%
Maturity analysis based on remaining term to maturity at 31 December 2014:		
At call	1,820,223	2,365,103
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NOTE 5 Trade and other receivables		
Other receivables	759	4,648
Accrued interest	3,754	814
	4,513	5,462
<hr/>		
Maturity analysis based on remaining term to maturity at 31 December 2014:		
Less than 3 months	4,513	5,462
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NOTE 6 Loans and receivables		
Loans and receivables at amortised cost	4,431,286	5,430,515
Provision for impairment - specific	(3,262,218)	(3,638,043)
	1,169,068	1,792,472
<hr/>		
Investments are classified as loans and receivables. It is the Fund's intention to hold these investments to maturity.		
Provision for impairment - specific		
Opening balance	3,638,043	6,425,561
Decrease in specific impairment provision	(302,913)	(2,607,689)
Unwind of impairment provision	(72,912)	(179,829)
Closing balance	3,262,218	3,638,043

NOTES TO THE FINANCIAL STATEMENTS (CONT)

No impairment provisions were expensed against any of the Fund's investments during the period ended 31 December 2014 (30 June 2014: \$0.00).

A reduction in the impairment provision against the Fund's agricultural managed investment scheme investment of \$302,913 was recognised as other income during the half year ended 31 December 2014 (31 December 2013: \$1,880,549). 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 \$3,262,218 remains noted against the Fund's agricultural managed investment scheme investment as at 31 December 2014 (30 June 2014: \$3,638,043), due to reasonable doubt over the collectability of the full principal balance and the 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 settlement of the class actions in relation to Great Southern, the terms of which were approved by the Supreme Court of Victoria on 11 December 2014.

The resulting carrying value of the Fund's agricultural managed investment scheme investment as at 31 December 2014 was \$1,169,068 (30 June 2014: \$1,792,472).

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

NOTE 7 Distribution payable

	Dec-14 \$	Jun-14 \$
The distribution payable is as follows:		
Unit distribution proposed for the period	-	78,681
Accrued distribution payable to Unitholders	21,597	41
	21,597	78,722
	Cents per Unit	Cents per Unit
Unit distribution proposed for the period	-	0.21

NOTE 8 Unitholders' funds

Units issued	192,107,142	192,107,142
Unit buy back	(8,677,812)	(8,677,812)
Capitalised issue costs	(7,416,263)	(7,416,263)
Capital returned to Unitholders	(175,055,405)	(173,643,668)
	957,662	2,369,399

NOTE 9 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 2014, the Fund had \$1,820,223 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. Manager/Responsible Entity remuneration amounted to \$60,050 for the half year ended 31 December 2014 (31 December 2013: \$72,416).

As at 31 December 2014, Manager/Responsible Entity remuneration of \$30,978 was payable to AMF and Bendigo and Adelaide Bank (30 June 2014: \$34,262).

NOTE 10 Segment information

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

NOTE 11 Subsequent events

Since 31 December 2014 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.

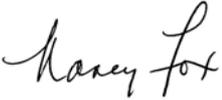
DIRECTORS' DECLARATION

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 2014 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,



Nancy Fox
Chairman
26 February 2015
Sydney