

ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST

ARSN 120 038 002

**HALF YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

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 2013.

THE MANAGER

AMF has acted in the capacity of Responsible Entity of the Fund for the half year ended 31 December 2013. 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.

As at 31 December 2013 the Fund had no employees.

REVIEW OF OPERATIONS

The Fund maintained its holding of asset backed securities and as at 31 December 2013 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 investments by \$1,880,549 during the half year ended 31 December 2013 (31 December 2012: \$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 \$4,468,818 still remains in place against this investment as at 31 December 2013 (31 December 2012: \$6,645,716). The resulting carrying value of the Fund's agricultural managed investment scheme investment as at 31 December 2013 was \$2,376,936 (31 December 2012: \$3,038,600). 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 half year ended 31 December 2013.

Repayments to MIS Program Noteholders (including the Fund) during the half year ended 31 December 2013 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 2013 annual financial report.

The performance of the Fund for the half year ended 31 December 2013, as represented by the results of its operations, was as follows:

Interest Income:	\$106,651
Finance Costs - Distribution to Unitholders:	\$19,168

Management fees payable to AMF during the half year ended 31 December 2013 were \$72,416 (31 December 2012: \$83,842).

UNITS ON ISSUE

The total number of Units issued as at 31 December 2013 was 94,115,809 (31 December 2012: 94,115,809).

FUND ASSETS

The total value of assets held by the Fund as at 31 December 2013 was \$5,265,501 (30 June 2013: \$3,563,361).

DISTRIBUTIONS

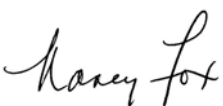
No income distributions were payable for the half year to 31 December 2013 (31 December 2012: 0.00 cents per Unit).

No capital was returned to Unitholders during the half year ended 31 December 2013 (31 December 2012: 2.50 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 2014
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 2013, 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 2013 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:

- i giving a true and fair view of the Trust's financial position as at 31 December 2013 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*.



Ernst & Young



Mark Phelps
Partner
Adelaide
26 February 2014

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 2013, 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 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	Dec-13 \$	Dec-12 \$
INCOME			
Interest income	3(a)	106,651	166,590
Other income – reduction in impairment provision	3(b)	1,880,549	1,561,139
Total income		1,987,200	1,727,729
EXPENSES			
Operating expenses	3(c)	87,483	131,450
Total expenses		87,483	131,450
Net profit before finance costs		1,899,717	1,596,279
Finance costs: Distribution to Unitholders	3(d)	19,168	35,140
Net profit for the half year		1,880,549	1,561,139
Other comprehensive income		-	-
Change in net assets attributable to Unitholders		1,880,549	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 31 DECEMBER 2013

	Note	Dec-13 \$	Jun-13 \$
Assets			
Cash	4	2,881,668	1,824,652
Trade and other receivables	5	6,897	4,833
Loans and receivables	6	2,376,936	1,733,876
Total assets		5,265,501	3,563,361
Liabilities			
Management/Responsible Entity fees payable		39,241	39,175
Accrued expenses		-	-
Distribution payable	7	21,030	199,505
Total liabilities (excluding net assets attributable to Unitholders)		60,271	238,680
Net assets attributable to Unitholders		5,205,230	3,324,681
Represented by:			
Unitholders' funds	8	4,251,716	4,251,716
Undistributed profits / (Accumulated losses)		953,514	(927,035)
Net assets attributable to Unitholders		5,205,230	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 HALF YEAR ENDED 31 DECEMBER 2013

	Units on issue	Net assets attributable to Unitholders \$
Balance at 1 July 2012	94,115,809	5,998,754
Net profit attributable to Unitholders	-	1,596,279
Other comprehensive income	-	-
Total comprehensive income	-	1,596,279
Distribution to Unitholders	-	(35,140)
Capital returned to Unitholders	-	(2,352,896)
Balance at 31 December 2012	94,115,809	5,206,997
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

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 2013

	Dec-13 \$	Dec-12 \$
Cash flows from operating activities		
Interest received on cash deposit	28,426	42,439
Manager fee paid	(78,258)	(95,847)
GST refunded	6,202	7,342
Payments to service providers	(15,394)	(18,154)
Net cash flows from operating activities	(59,024)	(64,220)
Cash flows from financing activities		
Distributions to Unitholders	(197,643)	(58,917)
Capital returned to Unitholders	-	(2,352,896)
Net cash flows used in financing activities	(197,643)	(2,411,813)
Cash flows from investing activities		
Principal receipts from investments	1,313,683	1,612,365
Net cash flows generated by investing activities	1,313,683	1,612,365
Net increase/(decrease) in cash and cash equivalents	1,057,016	(863,668)
Cash and cash equivalents held at 1 July 2013	1,824,652	3,133,984
Cash and cash equivalents held at 31 December 2013	2,881,668	2,270,316

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 2013 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 26 February 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 preparation

This general purpose condensed financial report for the half year ended 31 December 2013 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 2013 and considered together with any public announcements made by the Fund during the half year ended 31 December 2013.

Any public announcements made by the Fund during the half year ended 31 December 2013 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 2013 have been prepared on a liquidation basis.

The accounting policies and methods of computation are the same as those adopted in the most recent 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-13	Dec-12
	\$	\$
(a) Interest income		
Income from investments	106,651	166,590
Total interest income	106,651	166,590
(b) Other income – reduction in impairment provision		
Reduction in impairment provision	1,880,549	1,561,139
Total other income	1,880,549	1,561,139
(c) Operating expenses		
Custodian fee	723	837
Manager's remuneration	72,416	83,842
Legal expenses	-	29,840
Other operating expenses	14,344	16,931
Total operating expenses	87,483	131,450
<p>Legal expenses incurred during the period ended 31 December 2012 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.</p>		
(d) Finance costs - distribution to Unitholders		
Number of Units	94,115,809	94,115,809
	\$	\$
Accrued distribution at beginning of the period	(199,505)	(58,894)
Distributions paid during the period	197,643	58,917
Accrued distribution payable to Unitholders	21,030	35,117
	19,168	35,140

NOTES TO THE FINANCIAL STATEMENTS (CONT)

NOTE 4 Cash

Reconciliation of cash

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

	Dec-13 \$	Jun-13 \$
Cash at bank balance	2,881,668	1,824,652
Average balance	2,377,784	2,255,422
Average interest rate	2.54%	3.16%
Maturity analysis based on remaining term to maturity at 31 December 2013:		
At call	2,881,668	1,824,652

NOTE 5 Trade and other receivables

Other receivables	946	912
Accrued interest	5,951	3,921
	6,897	4,833

Maturity analysis based on remaining term to maturity at 31 December 2013:

Less than 3 months	6,897	4,833
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NOTE 6 Loans and receivables

Loans and receivables at amortised cost	6,845,754	8,159,437
Provision for impairment - specific	(4,468,818)	(6,425,561)
	2,376,936	1,733,876

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	6,425,561	8,334,162
Decrease in specific impairment provision	(1,880,549)	(1,561,139)
Unwind of impairment provision	(76,194)	(347,462)
Closing balance	4,468,818	6,425,561

NOTES TO THE FINANCIAL STATEMENTS (CONT)

No impairment provisions were expensed against any of the Fund's investments during the period ended 31 December 2013 (30 June 2013: \$0.00).

A reduction in the impairment provision against the Fund's agricultural managed investment scheme investment of \$1,880,549 was recognised as other income during the half year ended 31 December 2013 (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 \$4,468,818 is noted against the Fund's agricultural managed investment scheme investment as at 31 December 2013 (30 June 2013: \$6,425,561), 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 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 half year ended 31 December 2013. The resulting carrying value of the Fund's agricultural managed investment scheme investment as at 31 December 2013 was \$2,376,936 (30 June 2013: \$1,733,876).

Repayments to MIS Program Noteholders (including the Fund) during the half year ended 31 December 2013 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-13 \$	Jun-13 \$
The distribution payable is as follows:		
Unit distribution proposed for the period	-	197,643
Accrued distribution payable to Unitholders	21,030	1,862
	21,030	199,505
	Cents per Unit	Cents per Unit
Unit distribution proposed for the period	-	0.21

NOTE 8 Unitholders' funds

Unit 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	(171,761,351)	(171,761,351)
	4,251,716	4,251,716

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 2013, the Fund had \$2,881,668 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 \$72,416 for the half year ended 31 December 2013 (31 December 2012: \$83,842).

As at 31 December 2013, Management/Responsible Entity remuneration of \$39,241 was payable to AMF and Bendigo and Adelaide Bank (30 June 2013: \$39,175).

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

At its meeting on 26 February 2014, the Directors resolved to return 2.00 cents per Unit of capital to Unitholders on 27 March 2014.

Since 31 December 2013 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.

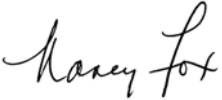
DIRECTORS' DECLARATION

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 2013 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 2014
Sydney