

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED
ABN 43 144 883 492

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2012

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED
ABN 43 144 883 492

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AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

The directors present their report together with the condensed financial report of Australian Masters Yield Fund No 1 Limited ("the Company") for the half year ended 31 December 2012.

Directors

The names of directors who held office during or since the end of the half year:

Mr Maximilian Sean Walsh – Non Executive Chairman

Mr Daryl Albert Dixon – Non Executive Director

Mr Alan Cochrane Dixon – Non Executive Director

Mr Christopher Matthew Brown – Non Executive Director

Mr Alexander Gen MacLachlan – Non Executive Director

Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the Company during the half year was investing in Australian fixed and floating income securities.

Results and Review of Operations

The profit of the Company after providing for income tax amounted to \$2,104,009 (2011: \$2,663,795). The net asset value of the Company at 31 December 2012 was \$91,118,620 (30 June 2012: \$91,330,019). The net asset value per share at 31 December 2012 was \$100.74 (30 June 2012: \$100.98).

The weighted average number of shares for the half year was 904,456. The basic and diluted earnings per share after tax was \$2.33 (2011: \$2.95).

Dividends Paid or Recommended

During the half year, the Company paid fully franked dividends of \$1.30 per share paid on 25 July 2012 and \$1.26 per share on 31 October 2012. The total amount of the dividends paid was \$1,175,793 and \$1,139,615 respectively.

After Balance Date Events

On 24 January 2013, the Company announced a fully franked dividend payment of \$1.00 per share which was paid to shareholders on 13 February 2013.

Significant Changes in State of Affairs

The Company was admitted to the official list of ASX Limited on 28 November 2012.

There were no other significant changes in the state of affairs of the Company that occurred during the half year.

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

ABN 43 144 883 492

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

Auditor's Independence Declaration

The auditor's independence declaration under s.307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2012.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'M. S. Walsh', with a stylized flourish at the end.

Maximilian Sean Walsh

Non Executive Chairman

Dated this 26th day of February 2013

The Board of Directors
Australian Masters Yield Fund No 1 Limited
Level 15
100 Pacific Highway
NORTH SYDNEY NSW 2060

26 February 2013

Dear Board Members

Australian Masters Yield Fund No 1 Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Masters Yield Fund No 1 Limited.

As lead audit partner for the review of the financial statements of Australian Masters Yield Fund No 1 Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

		31 December 2012	31 December 2011
	Notes	\$	\$
Revenue	2	3,362,378	3,908,831
Gain on financial assets at fair value through profit and loss		-	75,284
Realised gain on disposal of financial assets		-	116,475
Management fee		(276,785)	(274,765)
Registry fees		(11,141)	(7,929)
Custody fees		(13,554)	(10,997)
Legal and compliance costs		(13,269)	(6,662)
Listing fees		(23,943)	-
Other expenses		(17,959)	(21,147)
Profit before income tax		3,005,727	3,779,090
Income tax expense	3	(901,718)	(1,115,295)
Profit for the period		2,104,009	2,663,795
Other comprehensive income		-	-
Total other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		2,104,009	2,663,795
Earnings per share			
Basic earnings per share		2.33	2.95
Diluted earnings per share		2.33	2.95

The Condensed Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the condensed financial statements.

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED
ABN 43 144 883 492
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		31 December 2012	30 June 2012
	Notes	\$	\$
Assets			
<i>Current</i>			
Cash and cash equivalents		3,852,307	4,845,870
Other receivables		38,212	32,687
Prepayments		276,784	-
Total Current Assets		4,167,303	4,878,557
<i>Non-Current</i>			
Financial assets	5	87,406,642	86,690,959
Deferred tax assets	6	254,426	307,272
Total Non-current Assets		87,661,068	86,998,231
Total Assets		91,828,371	91,876,788
Liabilities			
<i>Current</i>			
Other payables		11,328	17,156
Current tax liabilities	7	698,423	529,613
Total Current Liabilities		709,751	546,769
Total Liabilities		709,751	546,769
Net Assets		91,118,620	91,330,019
Equity			
Issued capital	8	89,598,716	89,598,716
Retained earnings		1,519,904	1,731,303
Total Equity		91,118,620	91,330,019

The Condensed Statement of Financial Position is to be read in conjunction with the notes to the condensed financial statements.

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Notes	Issued capital \$	Retained earnings \$	Total \$
Balance at				
1 July 2011		89,598,716	838,198	90,436,914
Profit for the period		-	2,663,795	2,663,795
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	2,663,795	2,663,795
Dividend paid	4		(2,758,591)	(2,758,591)
Balance at				
31 December 2011		89,598,716	743,402	90,342,118
Balance at				
1 July 2012		89,598,716	1,731,303	91,330,019
Profit for the period		-	2,104,009	2,104,009
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	2,104,009	2,104,009
Dividends paid	4	-	(2,315,408)	(2,315,408)
Balance at				
31 December 2012		89,598,716	1,519,904	91,118,620

The Condensed Statement of Changes in Equity is to be read in conjunction with the notes to the condensed financial statements.

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Notes	31 December 2012 \$	31 December 2011 \$
Cash flows from operating activities			
Receipts from ATO		44,891	41,161
Interest received from bank		76,698	137,683
Interest received from investments		2,563,398	3,091,274
Management fees paid		(594,074)	(589,739)
Payments to suppliers		(89,006)	(53,556)
Net income tax paid		(680,062)	(700,120)
Net cash flows provided by operating activities		1,321,845	1,926,703
Cash flows from investing activities			
Proceeds from disposal of investments		-	5,123,437
Redemption of investments		-	1,654,600
Payments for purchase of investments		-	(5,000,000)
Net cash flows provided by investing activities		-	1,778,037
Cash flows from financing activities			
Dividends paid	4	(2,315,408)	(2,758,591)
Net cash flows (used in) financing activities		(2,315,408)	(2,758,591)
Net (decrease) / increase in cash and cash equivalents		(993,563)	946,149
Cash and cash equivalents			
at beginning of the period		4,845,870	1,793,553
Cash and cash equivalents			
at end of the period		3,852,307	2,739,702

The Condensed Statement of Cash Flows is to be read in conjunction with the notes to the condensed financial statements.

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1. Statement of Significant Accounting Policies

a. Basis of Preparation

These general purpose condensed financial statements for the interim half year reporting period ended 31 December 2012 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including *AASB 134: Interim Financial Reporting*. Compliance with *AASB 134: Interim Financial Reporting* ensures that the financial statements and notes also comply with *IAS 34: Interim Financial Reporting*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Australian Masters Yield Fund No 1 Limited ("the Company"). It is therefore recommended that this interim financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2012.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The condensed financial statements have been prepared on an accruals basis and are based on historical cost with the exception of financial assets measured at amortised cost. All amounts are presented in Australian dollars, unless otherwise noted.

The interim financial report was authorised for issue on 26 February 2013 by the board of directors.

New or revised Standards and Interpretations that are first effective in the current reporting period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Company include:

Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current half year. However, the application of AASB 2011-9 has resulted in changes to the Company's presentation of, or disclosure in, its half year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement.

Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to AASB 101 require items of other comprehensive income to be funded into two categories in the other comprehensive income section:

- items that will not be reclassified subsequently to profit or loss and
- items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. Operating Segments

The Company is engaged in investing activities conducted in Australia and derives its income from fixed and floating interest financial assets.

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

2. Revenue

	31 December 2012	31 December 2011
	\$	\$
Interest from investments in financial assets	3,279,081	3,814,690
Interest from banks	79,444	68,847
Other income	3,853	25,294
	3,362,378	3,908,831

3. Income Tax Expense

The components of tax expense comprise:

Current tax	848,871	1,086,613
Deferred tax	52,847	28,682
	901,718	1,115,295

4. Dividends Paid

Dividends paid

Fully franked dividend of \$3.05 per share paid on 16 December 2011	-	2,758,591
Fully franked dividend of \$1.30 per share paid on 25 July 2012	1,175,793	-
Fully franked dividend of \$1.26 per share paid on 31 October 2012	1,139,615	-
	2,315,408	2,758,591
Total dividends per share for the period	2.56	3.05

The tax rate at which paid dividends have been franked is 30% (2011: 30%).

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED
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 NOTES TO THE CONDENSED FINANCIAL STATEMENTS
 FOR THE HALF YEAR ENDED 31 DECEMBER 2012

5. Financial Assets

	31 December 2012	30 June 2012
	\$	\$
Non-Current		
Investments in financial assets - at amortised cost	87,406,642	86,690,959
	87,406,642	86,690,959

6. Deferred Tax Assets

Non-Current

Deferred tax assets comprise:

Transaction costs on equity issue	251,786	302,143
Others	2,640	5,129
	254,426	307,272

7. Current Tax Liabilities

Current

Current tax liabilities	698,423	529,613
	698,423	529,613

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

8. Issued Capital

	31 December 2012	30 June 2012
	\$	\$
(a) Issued Capital		
904,456 fully paid ordinary shares	89,598,716	89,598,716
(30 June 2012: 904,456 shares)	89,598,716	89,598,716
	31 December 2012	30 June 2012
	No.	No.
(b) Movement in ordinary shares		
Balance at beginning of the period	904,456	904,456
Balance at end of the period	904,456	904,456

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

9. Related Party Transactions

The names of persons who were directors of the Company at any time during the half year and to the date of these financial statements are:

Mr Maximilian Sean Walsh – Non Executive Chairman

Mr Daryl Albert Dixon – Non Executive Director

Mr Alan Cochrane Dixon – Non Executive Director

Mr Christopher Matthew Brown – Non Executive Director

Mr Alexander Gen MacLachlan – Non Executive Director

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated and are as follows:

Dixon Advisory & Superannuation Services Limited

Mr Maximilian Walsh, Mr Daryl Dixon, Mr Alan Dixon, Mr Christopher Brown and Mr Alexander MacLachlan are directors of the Company and directors of the Manager, Dixon Advisory & Superannuation Services Limited.

The Manager is entitled to receive an annualised management fee of 0.59% (excluding GST) of the Value of the Portfolio. For the half year ended 31 December 2012, as Manager of the Company, Dixon Advisory & Superannuation Services Limited was paid in advance a management fee of \$594,074 (2011: \$589,739), inclusive of GST. Of the total management fee, \$276,784 is included in prepayments at 31 December 2012 (2011: \$274,767)

10. Events Subsequent to Reporting Date

On 24 January 2013, the Company announced a fully franked dividend of \$1.00 per share which was paid to shareholders on 13 February 2013.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of material and unusual nature, in the opinion of the directors, to significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company, in future financial years.

11. Contingent Liabilities and Capital Commitments

No material amounts of contingent liabilities or capital commitments exist at balance date.

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

ABN 43 144 883 492

DIRECTORS' DECLARATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

The directors of the Company declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Director



Mr. Maximilian Sean Walsh

Sydney, 26th February 2013

Independent Auditor's Review Report to the members of Australian Masters Yield Fund No 1 Limited

We have reviewed the accompanying half-year financial report of Australian Masters Yield Fund No 1 Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration as set out on pages 4 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Australian Masters Yield Fund No 1 Limited's financial position as at 31 December 2012 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 Australian Masters Yield Fund No 1 Limited, 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Masters Yield Fund No 1 Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

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 Australian Masters Yield Fund No 1 Limited 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 2012 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*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants
Sydney, 26 February 2013