

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

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

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED
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AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED

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DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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 2013.

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 for the half-year after providing for income tax amounted to \$1,791,332 (2012: \$2,104,009). The net asset value of the Company at 31 December 2013 was \$91,233,267 (30 June 2013: \$91,205,624). The net asset value per share at 31 December 2013 was \$100.87 (30 June 2013: \$100.84). The decline in the Company's profit was primarily driven by the fall in interest received from floating rate investments, following the Reserve bank of Australia (RBA) decision to cut official cash rates during the half-year.

The weighted average number of shares for the half-year was 904,456. The basic and diluted earnings per share after tax was \$1.98 (2012: \$2.33).

Dividends Paid or Recommended

During the half-year, the Company paid fully franked dividends of \$1.00 per share paid on 22 August 2013 and \$0.95 per share on 25 November 2013. The total amount of the dividends paid was \$904,456 and \$859,233 respectively.

After Balance Date Events

On 29 January 2014, the Company announced a fully franked dividend payment of \$0.90 per share which was paid to shareholders on 19 February 2014.

Other than the matter discussed above, 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.

Significant Changes in State of Affairs

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 2013

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 2013.

This report is signed in accordance with a resolution of Board of directors pursuant to s.306(3) of the *Corporations Act 2001*.



Maximilian Sean Walsh

Non Executive Chairman

Dated this 27th day of February 2014

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

27 February 2014

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 2013, 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 2013

		31 December 2013	31 December 2012
	Notes	\$	\$
Revenue	2	2,956,732	3,362,378
Management and administration fees	8	(331,201)	(276,785)
Registry fees		(12,225)	(11,141)
Custody fees		(13,554)	(13,554)
Legal and compliance costs		(3,391)	(13,269)
Listing fees		(16,827)	(23,943)
Other expenses		(20,488)	(17,959)
Profit before income tax		2,559,046	3,005,727
Income tax expense	3	(767,714)	(901,718)
Profit for the period		1,791,332	2,104,009
Other comprehensive income		-	-
Total other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		1,791,332	2,104,009
Earnings per share			
Basic earnings per share		1.98	2.33
Diluted earnings per share		1.98	2.33

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 2013

	Notes	31 December 2013 \$	30 June 2013 \$
Assets			
<i>Current</i>			
Cash and cash equivalents		2,161,030	3,194,030
Other receivables		19,205	27,643
Prepayments		276,188	-
Financial assets	5	21,369,298	-
Total Current Assets		23,825,721	3,221,673
<i>Non-current</i>			
Financial assets	5	67,539,803	88,145,559
Deferred tax assets	6	152,478	206,649
Total Non-current Assets		67,692,281	88,352,208
Total Assets		91,518,002	91,573,881
Liabilities			
<i>Current</i>			
Other payables		21,991	27,696
Current tax liabilities		262,744	340,561
Total Current Liabilities		284,735	368,257
Total Liabilities		284,735	368,257
Net Assets		91,233,267	91,205,624
Equity			
Issued capital	7	89,598,716	89,598,716
Retained earnings		1,634,551	1,606,908
Total Equity		91,233,267	91,205,624

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 2013

	Notes	Issued capital \$	Retained earnings \$	Total \$
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
Dividend paid	4		(2,315,408)	(2,315,408)
Balance at				
31 December 2012		89,598,716	1,519,904	91,118,620
Balance at				
1 July 2013		89,598,716	1,606,908	91,205,624
Profit for the period		-	1,791,332	1,791,332
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	1,791,332	1,791,332
Dividends paid	4	-	(1,763,689)	(1,763,689)
Balance at				
31 December 2013		89,598,716	1,634,551	91,233,267

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 2013

	Notes	31 December 2013 \$	31 December 2012 \$
Cash flows from operating activities			
Receipts from ATO		47,805	44,891
Interest received from bank		48,433	76,698
Interest received from investments		2,153,609	2,563,398
Management fees paid		(592,794)	(594,074)
Payments to suppliers		(135,004)	(89,006)
Net income tax paid		(791,360)	(680,062)
Net cash flows provided by operating activities		730,689	1,321,845
Cash flows from investing activities			
Net cash flows provided by investing activities		-	-
Cash flows from financing activities			
Dividends paid	4	(1,763,689)	(2,315,408)
Net cash flows (used in) financing activities		(1,763,689)	(2,315,408)
Net (decrease) in cash and cash equivalents		(1,033,000)	(993,563)
Cash and cash equivalents			
at beginning of the period		3,194,030	4,845,870
Cash and cash equivalents			
at end of the period		2,161,030	3,852,307

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 2013

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 2013 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 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 2013.

Other than as noted below, 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 costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are presented in Australian dollars, unless otherwise noted.

The interim financial report was authorised for issue on 27 February 2014 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 AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.

The Company has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by AASB 13 for the 2012 comparative period. The application of AASB 13 has not had any material impact on the amounts recognised in the condensed financial statements, nor on the included disclosures.

No further new or revised Standards and Interpretations effective for the period under review are considered to be applicable to the Company.

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 2013

2. Revenue

	31 December 2013	31 December 2012
	\$	\$
Interest from investments in financial assets	2,917,151	3,279,081
Interest from banks	37,563	79,444
Other income	2,018	3,853
	2,956,732	3,362,378

3. Income Tax Expense

The components of tax expense comprise:

Current tax	713,543	848,871
Deferred tax	54,171	52,847
	767,714	901,718

4. Dividends Paid

Dividends paid

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
Fully franked dividend of \$1.00 per share paid on 22 August 2013	904,456	-
Fully franked dividend of \$0.95 per share paid on 25 November 2013	859,233	-
	1,763,689	2,315,408
Total dividends per share for the period	1.95	2.56

The tax rate at which paid dividends have been franked is 30% (2012: 30%).

AUSTRALIAN MASTERS YIELD FUND NO 1 LIMITED
 ABN 43 144 883 492
 NOTES TO THE CONDENSED FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

5. Financial Assets

	31 December 2013	30 June 2013
	\$	\$
Current		
Investments in financial assets - at amortised cost	21,369,298	-
Non-current		
Investments in financial assets - at amortised cost	67,539,803	88,145,559
	88,909,101	88,145,559

6. Deferred Tax Assets

Non-current		
Deferred tax assets comprise:		
Transaction costs on equity issue	151,072	201,429
Others	1,406	5,220
	152,478	206,649

7. Issued Capital

(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

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

ABN 43 144 883 492

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

8. 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 2013, as Manager of the Company, Dixon Advisory & Superannuation Services Limited was paid in advance a management fee of \$592,794 (2012: \$594,074), inclusive of GST. Of the total management fee, \$276,188 is included in prepayments at 31 December 2013 (2012: \$276,784).

Australian Fund Accounting Services Pty Limited

Effective from 1 July 2013, Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of Dixon Advisory Group Limited, the parent of the Manager, provides fund administration services under an agreement with the Manager. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation.

Total fund administration fees paid or payable for the half-year ended 31 December 2013 were \$51,177, exclusive of GST.

9. Events Subsequent to Reporting Date

On 29 January 2014, the Company announced a fully franked dividend payment of \$0.90 per share which was paid to shareholders on 19 February 2014.

Other than the matter discussed above, 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.

10. 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 2013

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, 27th February 2014

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 2013, 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 12.

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 gives a true and fair view and 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 the Australian Masters Yield Fund No 1 Limited'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 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.

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 2013 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, 27 February 2014