

**AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED**  
**ABN 48 144 883 509**

**FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2012**

**AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED**  
**ABN 48 144 883 509**

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# AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

## 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 2 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 financial period 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 \$1,007,002 (2011: \$1,207,780). The net asset value of the Company at 31 December 2012 was \$42,749,931 (30 June 2012: \$42,826,939). The net asset value per share at 31 December 2012 was \$100.56 (30 June 2012: \$100.75).

The weighted average number of shares for the half year was 425,102. The basic and diluted earnings per share after tax was \$2.37 (2011: \$2.84).

### Dividends Paid or Recommended

During the half year, the Company paid fully franked dividends of \$1.35 per share paid on 25 July 2012 and \$1.20 per share on 31 October 2012. The total amount of the dividends paid was \$573,888 and \$510,122 respectively.

### After Balance Date Events

On 24 January 2013, the Company announced a fully franked dividend payment of \$1.15 per share which was paid to shareholders on 13 February 2013.

### Significant Changes in the 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 period.

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

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 period 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 2 Limited  
Level 15  
100 Pacific Highway  
NORTH SYDNEY NSW 2060

26 February 2013

Dear Board Members

### **Australian Masters Yield Fund No 2 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 2 Limited.

As lead audit partner for the review of the financial statements of Australian Masters Yield Fund No 2 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 2 LIMITED

ABN 48 144 883 509

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	1,627,609	1,722,524
Gain on financial assets at fair value through profit or loss		-	64,631
Realised gain on disposal of financial assets		-	101,333
Management fee		(129,884)	(126,238)
Accounting and audit fees		(13,051)	(12,162)
Shareholders meeting expenses		(10,647)	(5,619)
Listing fees		(22,334)	-
Other expenses		(13,119)	(14,783)
<b>Profit before income tax</b>		<b>1,438,574</b>	<b>1,729,686</b>
Income Tax Expense	3	(431,572)	(521,906)
<b>Profit for the period</b>		<b>1,007,002</b>	<b>1,207,780</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>1,007,002</b>	<b>1,207,780</b>
<b>Earnings per share</b>			
<b>Basic earnings per share</b>		<b>2.37</b>	<b>2.84</b>
<b>Diluted earnings per share</b>		<b>2.37</b>	<b>2.84</b>

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 2 LIMITED  
 ABN 48 144 883 509  
 CONDENSED STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2012

		31 December 2012	30 June 2012
	Notes	\$	\$
<b>Assets</b>			
<i>Current</i>			
Cash and cash equivalents		4,588,709	4,866,651
Other receivables		41,832	24,566
Prepayments		129,883	-
<b>Total Current Assets</b>		<b>4,760,424</b>	<b>4,891,217</b>
<i>Non-Current</i>			
Financial assets	5	38,318,246	38,087,777
Deferred tax assets	6	120,287	146,290
<b>Total Non-current Assets</b>		<b>38,438,533</b>	<b>38,234,067</b>
<b>Total Assets</b>		<b>43,198,957</b>	<b>43,125,284</b>
<b>Liabilities</b>			
<i>Current</i>			
Other payables		11,247	17,102
Current tax liabilities	7	437,779	281,243
<b>Total Current Liabilities</b>		<b>449,026</b>	<b>298,345</b>
<b>Total Liabilities</b>		<b>449,026</b>	<b>298,345</b>
<b>Net Assets</b>		<b>42,749,931</b>	<b>42,826,939</b>
<b>Equity</b>			
Issued capital	8	41,961,083	41,961,083
Retained earnings		788,848	865,856
<b>Total Equity</b>		<b>42,749,931</b>	<b>42,826,939</b>

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 2 LIMITED

ABN 48 144 883 509

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Notes	Issued capital \$	Retained earnings \$	Total \$
<b>Balance at</b>				
<b>1 July 2011</b>		<b>41,961,083</b>	<b>219,103</b>	<b>42,180,186</b>
Profit for the period		-	1,207,780	1,207,780
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>1,207,780</b>	<b>1,207,780</b>
Dividends paid	4	-	(1,105,265)	(1,105,265)
<b>Balance at</b>				
<b>31 December 2011</b>		<b>41,961,083</b>	<b>321,618</b>	<b>42,282,701</b>
<b>Balance at</b>				
<b>1 July 2012</b>		<b>41,961,083</b>	<b>865,856</b>	<b>42,826,939</b>
Profit for the period		-	1,007,002	1,007,002
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>1,007,002</b>	<b>1,007,002</b>
Dividends paid	4	-	(1,084,010)	(1,084,010)
<b>Balance at</b>				
<b>31 December 2012</b>		<b>41,961,083</b>	<b>788,848</b>	<b>42,749,931</b>

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 2 LIMITED

ABN 48 144 883 509

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

	Notes	31 December 2012 \$	31 December 2011 \$
<b>Cash flows from operating activities</b>			
Receipts from ATO		21,684	79,285
Interest received from bank		70,859	487,822
Interest received from investments		1,308,320	1,168,869
Management fees paid		(278,774)	(270,951)
Payments to suppliers		(66,988)	(33,305)
Net tax paid		(249,033)	-
Net cash flows provided by operating activities		806,068	1,431,720
<b>Cash flows from investing activities</b>			
Redemption of investments		-	1,827,500
Proceeds from disposal of investments		-	4,457,390
Payments for investments		-	(29,425,080)
Net cash flows (used in) investing activities		-	(23,140,190)
<b>Cash flows from financing activities</b>			
Dividends paid	4	(1,084,010)	(1,105,265)
Net cash flows (used in) financing activities		(1,084,010)	(1,105,265)
<b>Net decrease in cash and cash equivalents</b>		<b>(277,942)</b>	<b>(22,813,735)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>4,866,651</b>	<b>26,627,586</b>
<b>Cash and cash equivalents at end of the period</b>		<b>4,588,709</b>	<b>3,813,851</b>

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 2 LIMITED

ABN 48 144 883 509

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 2 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 2 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	1,538,789	1,402,271
Interest from banks	84,897	296,572
Other income	3,923	23,681
	<b>1,627,609</b>	<b>1,722,524</b>

3. Income Tax Expense

The components of tax expense comprise:

Current tax	405,569	498,620
Deferred tax	26,003	23,286
	<b>431,572</b>	<b>521,906</b>

4. Dividends

Dividends paid

Fully franked dividend of \$2.60 per share paid on 16 December 2011	-	1,105,265
Fully franked dividend of \$1.35 per share paid on 25 July 2012	573,888	-
Fully franked dividend of \$1.20 per share paid on 31 October 2012	510,122	-
	<b>1,084,010</b>	<b>1,105,265</b>
Total dividends per share for the period	<b>2.55</b>	<b>2.60</b>

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

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

5. Financial Assets

	31 December 2012	30 June 2012
	\$	\$
<b>Non-Current</b>		
Investments in financial assets - at amortised cost	38,318,246	38,087,777
	<b>38,318,246</b>	<b>38,087,777</b>

6. Deferred Tax Assets

**Non-Current**

Deferred tax assets comprise:

Transaction costs on equity issue	117,647	141,176
Others	2,640	5,114
	<b>120,287</b>	<b>146,290</b>

7. Current Tax Liabilities

**Current**

Current tax liabilities	437,779	281,243
	<b>437,779</b>	<b>281,243</b>

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

8. Issued Capital

	31 December 2012	30 June 2012
	\$	\$
<b>(a) Issued Capital</b>		
425,102 fully paid ordinary shares	41,961,083	41,961,083
(30 June 2012: 425,102 shares)	<b>41,961,083</b>	<b>41,961,083</b>

	31 December 2012	30 June 2012
	No.	No.
<b>(b) Movement in ordinary shares</b>		
Balance at beginning of the period	425,102	425,102
Balance at end of the period	<b>425,102</b>	<b>425,102</b>

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

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. The first management fee is 0.59% per annum (excluding GST) of gross proceeds raised and calculated upon the allotment of shares. 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 \$278,774 (2011: \$271,207), inclusive of GST. Of the total management fee, \$129,883 is included in prepayments at 31 December 2012 (2011: \$126,238).

**10. Events Subsequent to Reporting Date**

On 24 January 2013, the Company announced a fully franked dividend of \$1.15 per share which was paid to shareholders on 13 February 2013.

There has not arisen in the interval between the end of the financial period 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 2 LIMITED

ABN 48 144 883 509

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



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Mr. Maximilian Sean Walsh

Sydney, 26<sup>th</sup> February 2013

## **Independent Auditor's Review Report to the members of Australian Masters Yield Fund No 2 Limited**

We have reviewed the accompanying half-year financial report Australian Masters Yield Fund No 2 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 2 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 2 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 2 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 2 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