



ANNUAL REPORT 2018

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018



**AUSTRALIAN
MASTERS
YIELD**

FUND No 5 LIMITED

ABN 87 161 255 750

Australian Masters Yield Fund No 5 Limited

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30 June 2018

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30 June 2018

Welcome to the Annual Report for the Australian Masters Yield Fund No 5 Limited (**AMYF5** or the **Fund**) for the financial year ended 30 June 2018 (FY18). The Company is part of the Australian Masters Yield Fund Series.

OVERVIEW OF FUND PERFORMANCE

As at 30 June 2018, the Fund remained invested in six different fixed income securities issued by Australian and international companies, with a face value totalling \$56.7 million.

The table below outlines the holdings of the Fund at 30 June 2018.

ISSUER	TYPE	CALL DATE	MATURITY	FACE VALUE
Anglo American	Senior Bond		27-Nov-18	\$10,500,000
IAG	Subordinated Debt*	19-Mar-19	19-Mar-40	\$3,000,000
Lend Lease	Senior Bond		13-May-20	\$22,500,000
Mirvac Finance	Senior Bond		18-Sep-20	\$10,000,000
Praeco	Senior Bond		28-Jul-20	\$4,710,000
Sydney Airports	Capital Indexed Bond		20-Nov-20	\$6,000,000

*Floating rate investment.

The profit of the Fund after providing for income tax amounted to \$2,023,176 (2017: \$2,889,704). The net asset value per share of the Fund at 30 June 2018 was \$60.20 (30 June 2017: \$60.19). The earnings per share (EPS) was calculated as \$2.00 (2017: \$2.86).

During the year, the Fund paid a partially franked dividend of \$0.69 (60% franked, August 2017) and three fully franked dividends of \$0.44 (November 2017), \$0.53 (March 2018) and \$0.33 (May 2018). As at 30 June 2018 the Fund has returned \$39.63 per share of capital to Shareholders, however, no capital returns were made to Shareholders during FY18.

Subsequent to year end, the Fund announced and paid in August 2018 a fully franked dividend of \$0.76.

PORTFOLIO ACTIVITY

There were no changes to the AMYF5 portfolio during FY18.

The remaining fixed income securities held within the AMYF5 portfolio continue to perform as expected, and pay coupons accordingly.

ECONOMIC CONDITIONS INFLUENCING YIELD PRODUCTS OVER FY18

Global market conditions positive despite geopolitical risk and volatility

Global equity markets continued their upward trajectory over the year to 30 June 2018, with the MSCI World Index up 11.7% in USD terms (up 16.0% in Australian dollar (**AUD**) terms). Market conditions were buoyed by strong economic activity across the United States (**US**), Europe, China and Japan, sufficient to overcome a broad global selloff in the second-half of the year. A mix of global factors precipitated the selloff, including escalating trade tensions between the US and its trading partners, potential desynchronisation in global growth, expectations of quicker monetary tightening by the US Federal Reserve (**Fed**) and an advancing US dollar (**USD**).

A further feature of the second half was the divergence in performance between emerging markets (down 6.6%) and developed markets (up 0.7%), attributable to increased risk aversion among investors as a result of the stronger USD, rising inflation and higher interest rates in the US.

Geopolitical events during the year, including intensifying trade conflicts, the US government's decision to withdraw from the Iran nuclear deal and a brief period of political uncertainty in Europe, all made headlines and resulted in

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asset price volatility. Specifically, trade tensions escalated as President Trump imposed tariffs on more than US\$34 billion worth of Chinese imports and extended steel and aluminium tariffs to the European Union, Canada and Mexico, resulting in announcements of reciprocal tariff measures by those countries. Meanwhile, political developments in Europe garnered attention, as Germany went to the polls on 24 September 2017, Italy held elections on 4 March 2018 and Spain conducted a no-confidence vote in Parliament on 1 June 2018. The avoidance of a subsequent election in Italy, together with successful meetings between US President Donald Trump and North Korean leader Kim Jong Un in Singapore on 12 June 2018 (which sought to improve the relationship between the two countries, end military exercises with South Korea and denuclearise the Korean Peninsula) helped to soothe markets towards the end of the financial year.

Strong economic indicators lead central banks to begin unwinding stimulus

Despite lingering geopolitical concerns, the US economy continued to grow during FY18. Gross Domestic Product (GDP) growth of 2.8% year-on-year (yoy) was recorded at 30 June 2018, and unemployment continued to fall before showing a moderate uptick in June 2018 to 4.0%. Similarly, business conditions (as measured by the Institute of Supply Management (ISM) Manufacturing Index) rose to 60.2 from 56.7 at 30 June 2017. This positive momentum was attributable to an acceleration in economic activity and an increase in business confidence following the passing of a tax reform bill by the US government on 22 December 2017, which among other things, reduced the top US corporate tax rate from 35% to 21%.

In Europe, GDP growth slowed to 2.1% at 30 June 2018, while unemployment declined from 9.0% at 30 June 2017 to 8.3% at 30 June 2018. Correspondingly, there was a sharp rise in inflation from 1.3% at 30 June 2017 to 2.1% at 30 June 2018. The European Central Bank (ECB) trimmed its growth forecast for the eurozone to 2.1% for 2018, while upgrading inflation expectations to 1.7% for 2018 and 2019.

The economic momentum and healthy corporate earnings releases resulted in the major central banks starting to neutralise monetary policy. The Fed moved ahead with plans to sell down its holdings of Treasury and mortgage-backed securities beginning at a monthly rate of US\$10 billion from October 2017 and gradually increasing quarter-on-quarter. The ECB also indicated it was preparing for quantitative tapering. Its asset purchase plan, currently requiring the purchase of an additional €60 billion of bonds per month, was modified to reduce purchases to €30 billion of bonds per month from January 2018 to September 2018. Purchases will then be further reduced to €15 billion of bonds per month from September 2018 to December 2018 before ending (subject to incoming economic data).

Fed is raising rates, ECB remains cautious and inflation is emerging

The Fed raised the federal funds target rate range three times during FY18 (at meetings in December, March and June) to a range of 1.75% to 2.00%. The market reaction was muted, as on all three occasions Federal Open Market Committee (FOMC) members flagged the increases well in advance. However, the latest monetary policy meeting surprised market participants, as FOMC members signalled the potential for two further rate hikes in the remainder of 2018. Excluding food and energy, inflation continued to rise (2.3% yoy, compared with 1.7% at 30 June 2017) and is expected to remain above the FOMC's target of 2%.

In Europe, the ECB kept its deposit rate at -0.4% throughout the year, noting an intention to keep rates at the same levels through the summer of 2019 despite the improving economic conditions and an upgrade to the ECB's inflation expectations.

Bond yields responding slowly in light of geopolitical events

Fixed income markets reflected the higher inflation outlook with short-term rates and most government bond yields rising. However, as at 19 June 2018, more than US\$8 trillion of sovereign bonds continue to trade at negative yields. Key short-duration bonds continued to be priced at negative yields in Germany, Switzerland and Japan, although longer duration (10-year) bonds issued by Germany (0.30%) and Japan (0.04%) are now priced at positive yields. Switzerland's longer-duration bonds remain negative at -0.06%.

In the US, 10-year government bond yields began the year at 2.30% and peaked at 3.13% in May 2018 off the back of positive US inflation, the economic outlook and FOMC rhetoric. By the end of FY18, however, yields had drifted back

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to 2.86% as investors sought safe havens in the face of escalating trade tensions. The US yield curve flattened over the period, from 0.92% to 0.33% between the two-year and 10-year section of the curve.

In Australia, economic conditions are improving but mixed, while RBA appears likely to hold rates

The Reserve Bank of Australia (**RBA**) maintained an accommodative monetary policy stance throughout FY18, keeping the cash rate at a record low of 1.50%, and maintaining that level following its 7 August 2018 meeting. A healthy business environment, increasing non-mining business investment, positive labour market conditions and strong employment growth was offset by low wage growth and low inflation. Interest rate futures had implied a reasonable probability of a rate hike by the RBA next year, consistent with global interest rates rises. However, growing economic risk and uncertainty from trade conflicts are likely to keep rates unchanged in the short-term.

The Australian dollar (**AUD**) depreciated 3.7% against the USD over FY18 in what was a tale of two halves. In the first half, the AUD rose 1.6% to peak at US\$0.81 in January, as the global economic outlook peaked before declining 5.2% in the second half to close at US\$0.74.

Australian bond yields follow US at the short end, longer tenor more sluggish

Australian bond yields rose in FY18, as the potential for further rate cuts declined, economic activity improved, and hawkish Fed and ECB positioning became apparent. Bond yields at the short end of the yield curve witnessed a moderate uptick by following the path of US yields higher, driven by rising interest rates in the US and a strengthening USD during the second half of FY18. However, longer-term bond yields (10-year Australian Government Bonds) were sluggish in comparison to global bond yields, increasing marginally from 2.60% at 30 June 2017 to 2.63% at 30 June 2018 (peaking at 2.94% in February 2018).

Australian credit spreads, as measured by the iTraxx index, ended the fiscal year two points narrower, at 0.80%. The index hit a 10-year low in January 2018 of 0.52%, reflecting declining levels of corporate risk as global economic indicators and commodity prices improved, and expectations of more robust corporate earnings took hold, before climbing higher in response to increasing global geopolitical risks and divergent economic outcomes.

The Bloomberg Australian Corporate Bond BBB five-year composite yield moved lower during FY18, touching a low of 3.43% in November 2017, although yields recovered towards the end of FY18 and finished at 3.70%.



Mr Alex MacLachlan
Chairperson

28 August 2018

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Corporate governance statement
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Unless disclosed below, all the best practice recommendations as set out in the Third Edition of the ASX *Corporate Governance Principles and Recommendations* have been applied for the entire financial year ended 30 June 2018 (**ASX Recommendations**).

1. Lay solid foundations for management and oversight

Board roles and responsibilities

The directors of Australian Masters Yield Fund No 5 Limited (**Company**) (**Board**) are responsible for the overall operation, strategic direction, leadership and integrity of the Company and, in particular, are responsible for the Company's overall strategy and profitability. In meeting its responsibilities, the Board undertakes all of the following functions:

- providing and implementing the Company's strategic direction
- overseeing the implementation by Walsh & Company Asset Management Pty Limited (**Manager**) of the Company's strategic objectives and monitoring its performance
- reviewing and overseeing the operation of systems of risk management ensuring that the significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit
- ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance
- reviewing and overseeing internal compliance and legal regulatory compliance
- ensuring compliance with the Company's constitution and with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001*
- overseeing the Company's process for making timely and balanced disclosures of all material information concerning the Company
- communicating with, and protecting the rights and interests of, all securityholders.

The responsibility for the operation and administration of the Company is delegated by the Board to the Manager as set out in the relevant management agreement and the Board Policy specified in Section 2 of the Corporate Governance Charter (available on the Company website). The Board ensures that the Manager is appropriately qualified and experienced to discharge its responsibilities. The Manager will be responsible for implementing the Company's strategic objectives and operating within the risk appetite as set out within the investment guidelines provided for in the Company's prospectus.

Appointment of directors

The Company has adopted a formal process to ensure that appropriate checks are undertaken before appointing a person, or putting forward to securityholders a candidate for election as a director. The Company has outsourced part of this function to an external service provider, which specialises in completing background checks to verify the candidate's experience, education, criminal record and bankruptcy history.

Upon proposing a candidate for election or re-election as a director, the Company provides securityholders with all the relevant material information in its possession to allow securityholders to make an informed decision on whether or not to elect or re-elect the candidate. This information will generally include:

- biographical details of the candidate, including their qualifications, experience and skills which may be relevant to the Board
- details of any current or past directorships held by the candidate.

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Each director of the Company receives a formal appointment letter outlining their terms of employment, responsibilities, conditions and expectations of their engagement.

Role of the Company Secretary

The Company Secretary of the Company is directly accountable to the Board, through the Board chairperson, on all matters to do with the proper functioning of the Board. This includes the following:

- advising the Board on governance matters
- circulating to the Board all board papers in advance of any proposed meeting
- ensuring that the business at board meetings is accurately captured in the minutes
- facilitating the induction and professional development of directors.

Diversity

The Company recognises the ASX Recommendation with respect to gender diversity and the valuable benefits of female representation on the Board. However, the Board is of the view that given the fixed life of the fund series, the relatively static nature of the Company's portfolio, the rigid investment strategy and the size of the Company, it is not necessary for the Company to adopt a diversity policy or to seek and appoint a female director.

2. Structure the Board to add value

Board composition

The Company seeks to maintain a Board of directors with a broad range of skills. It has developed a skills matrix below which lists the skills that have been identified as the ideal attributes the Company seeks to achieve across its Board membership:

- leadership
- industry knowledge
- understanding of the fixed income markets
- corporate governance
- financial and accounting
- funds management
- risk based auditing and risk management
- legal.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report contained in the annual report (**Directors' Report**). The names of the directors of the Company during the reporting period are:

Mr Alexander Gen MacLachlan (**Chairperson**)
Mr Christopher Matthew Brown
Mr. Warwick Keneally

All directors are associated with the Manager, however the Board is of the view that, given the relatively static nature of the Company's portfolio, the rigid investment strategy and the size of the Company, it is not necessary for the Company to have any independent directors.

The Company recognises the ASX Recommendations with respect to establishing audit, risk, remuneration and nomination committees as good corporate governance. However, considering the size and nature of the Company,

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the functions that would be performed by these committees are best undertaken by the Board. This is also in line with ASX Recommendations, which recognise that "the ultimate responsibility of the integrity of a Company's financial reporting rests with the full board".

The Board will review its view on committees in line with the ASX Recommendations and in light of any changes to the size or nature of the Company and, if required, may establish committees to assist it in carrying out its functions.

At that time, the Board will adopt a charter for such committees in accordance with the ASX Recommendations and industry best practices.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis, and in conformity with the requirements of the ASX Listing Rules and the *Corporations Act 2001*. In accordance with the corporate governance policy, directors are entitled to seek independent advice at the expense of the Company. Written approval must be obtained from the Chairperson prior to incurring any expense on behalf of the Company.

Performance evaluation

The Board will review its performance annually by discussion and by individual communication with the Chairperson, and by reference to generally accepted Board performance standards. The Board and individual directors, including the Chairperson, were evaluated during the year to 30 June 2018 in accordance with these processes.

Induction and ongoing professional development

On appointment, the directors are individually briefed by the Manager and the Management team. Directors are entitled to receive appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as directors effectively. The Company's induction program is structured to enable a new director to gain an understanding of the Company's investments, the Company's financial, strategic, operational and risk management position, as well as its rights, duties and responsibilities.

The Company Secretary is responsible for facilitating the induction and ongoing development of all directors, and (where necessary) from time to time, will recommend relevant courses and industry seminars which may assist directors in discharging their duties.

3. Act ethically and responsibly

Code of conduct

Board members and Company officers are made aware of the requirements to follow corporate policies and procedures, to obey the law and to maintain appropriate standards of honesty and integrity at all times. In this regard, the directors have adopted a code of conduct which is set out in Section 4 of the Corporate Governance Charter (**Code of Conduct**), for directors and employees. The Code of Conduct covers ethical operations, compliance with laws, dealings with customers and public officials, conflicts of interest, confidential and proprietary information, and insider trading.

Share trading policy

The Company's Code of Conduct provides that no director or employee shall purchase or sell Company securities while in possession of material information concerning the Company or such a company that has not previously been generally disclosed to the investing public for at least two business-days nor shall an employee inform any individual or entity of any such material information, except in the necessary course of business.

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Directors are required to give prior notice to the Chairperson of any dealings in Company securities by themselves or their associates and to provide particulars of any transactions immediately following execution. The Company Secretary is to make the requisite notifications to ASX within two days of each such transaction.

4. Safeguard integrity in corporate reporting

Audit Committee

The Company recognises the ASX Recommendation with respect to establishing an audit committee as part of good corporate governance. However, considering the size of the Company, the functions that would be performed by an audit committee are best undertaken by the Board. This is also in line with the ASX Recommendations which recognise that “the ultimate responsibility of the integrity of a company’s financial reporting rests with the full board”. The Board has adopted a policy to independently verify and safeguard the integrity of its corporate reporting including, but not limited to, the appointment or removal of the external auditor and the rotation of the audit engagement partner.

5. Making timely and balanced disclosure

Continuous disclosure

All directors have been made aware of the continuous disclosure requirements of the ASX Listing Rules and have been provided with a copy of the relevant rules and guidance notes.

The directors have allocated responsibility to the Company Secretary to alert the Board to any operational or regulatory matters, respectively, that they consider may require disclosure to the market under the continuous disclosure requirements of the ASX Listing Rules. The directors then consider and approve the form of any such announcement.

All Company announcements require the approval of the Board with provision for available directors, including the Chairperson, to approve urgent announcements. The Company Secretary is responsible for communication with ASX. The Chairman is responsible for all media contact and comment.

The annual report contains a review of operations.

6. Respect the right of securityholders

Securityholder communication

To promote effective communication with securityholders and encourage effective participation at general meetings, information is communicated to securityholders:

- through the release of information to the market via the ASX
- through the distribution of the annual report and notices of annual general meeting
- through securityholder meetings and investor relations presentations
- by posting relevant information on the Company website.

The independent auditor attends the annual general meeting to respond to questions from securityholders on the conduct of the audit and the preparation and content of the audit report.

Rights of securityholders

The Board has developed a strategy within its Continuous Disclosure Policy (specified in Section 3 of the Corporate Governance Charter) to ensure that securityholders are informed of all major developments affecting the Company's performance, governance, activities and state of affairs. This includes having a website to facilitate communication with securityholders via electronic methods. Each securityholder is also provided online access to Boardroom Pty Limited (**Registry**) to allow them to receive communication from, and send communication to, the Company and the Registry. In addition, the Company publishes regular securityholder communications, such as half-yearly and annual reports, and provides securityholders with the opportunity to access such reports and other releases electronically.

The Board encourages full participation of securityholders at the Company's annual general meeting to ensure a high level of accountability and identification with the Company's strategy. Securityholders who are unable to attend the annual general meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting. As aforementioned, the external auditor attends the annual general meeting of securityholders and will be available to answer any questions concerning the conduct, preparation and content of the auditor's report.

7. Recognise and manage risk

Risk management

The Board oversees the risk management process of identification, assessment, monitoring and managing the significant areas of risk applicable to the Company and its investment portfolio as part of its active investment strategy. It has not established a separate committee to deal with these matters as the directors consider the size and nature of the Company as well as its operations to not warrant a separate committee at this time. The Board liaises with, and oversees, the Manager in the application of the risk management protocols. The Manager is responsible for monitoring the performance and risk parameters of investments and keeping the Board apprised of any market and/or Company-specific developments that may impact on the Company's investments.

The Company does not have a material exposure to sustainability risks.

The Board receives a half-yearly letter from the Company's external auditor regarding its procedures, which also reports that the financial records have been properly maintained and the financial statements comply with the Australian Accounting Standards.

The Manager provides declarations required by Section 295A of the *Corporations Act 2001* for all financial periods and confirms that, in its opinion, the financial records of the Company have been properly maintained, and that the financial statements and accompanying notes comply with the Australian Accounting Standards, giving a true and fair view of the financial position and performance of the Company, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Company's external auditor.

Details of the Company's financial risk management are set out in the notes to the financial statements.

8. Remunerate fairly and responsibly

Remuneration policies

Due to the relatively small size of the Company and its operations, the Board does not consider it appropriate at this time to form a separate committee to deal with the remuneration of directors.

In accordance with the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. Under ASX Listing Rules, the maximum fees payable to directors may not be increased

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without the prior approval from the Company in a general meeting. Directors will seek approval from time to time as deemed appropriate. The Company does not intend to remunerate its Directors through an equity-based remuneration scheme.

Under the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. However, Warwick Keneally, Christopher Brown and Alexander MacLachlan have agreed not to be paid any remuneration for the services they perform as directors.

Remuneration of the directors during the year ended 30 June 2018 is set out in the Directors' Report and in the notes to the financial statements.

Recognition of legitimate interests of stakeholders

As detailed above, the Company has adopted a Code of Conduct which "inter alia" deals with compliance with legal and other obligations to legitimate stakeholders. The full Code of Conduct is available on the Company website under the securityholder information section.

Other information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's website at www.amyf.com.au.

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Directors' report

30 June 2018

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2018.

Directors

The names of the directors in office at any time during, or since the end of the year are:

Mr Alexander MacLachlan – Non-Executive Chairperson (appointed on 19 July 2017)

Mr Christopher Brown – Non-Executive Director

Mr Warwick Keneally - Non-Executive Director (appointed on 19 July 2017)

Mr Thomas Kline – Non-Executive Chairperson (resigned on 19 July 2017)

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

Information on directors

Alexander MacLachlan, BA (Cornell), MBA (Wharton)

Non-Executive Chairperson (appointed Chairperson 19 July 2017)

Alex is currently the Chairman of the Responsible Entity for Australian Governance & Ethical Index Fund, Cordish Dixon Private Equity Fund Series, Evans & Partners Asia Fund, Evans & Partners Australian Flagship Fund, Evans & Partners Global Disruption Fund, Evans & Partners Global Flagship Fund, Fort Street Real Estate Capital Fund Series, New Energy Solar Fund, US Masters Residential Property Fund and Venture Capital Opportunities Fund. He is also a director of Fort Street Real Estate Capital and the Australian Masters Yield Fund Series.

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division, which later became Walsh & Company. From funds under management of under \$100 million at the time of his start, Alex has grown Walsh & Company Group to more than \$5 billion in assets under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy. Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, he worked on more than \$100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania. He was appointed as non-executive director on 15 November 2012 and non-executive chairman on 19 July 2017, and he beneficially holds 50 fully paid ordinary shares in the capital of the Company.

During the last three years, Alex has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:

- Asian Masters Fund Limited (since 2009, delisted 17 May 2018)
- Australian Governance & Ethical Index Fund (since 2018)
- Australian Masters Corporate Bond Fund No 5 Limited (since 2009, delisted 26 August 2016)
- Australian Masters Yield Fund No 1 Limited (since 2010, delisted 28 July 2017)
- Australian Masters Yield Fund No 2 Limited (since 2010, delisted 28 July 2017)
- Australian Masters Yield Fund No 3 Limited (since 2011, delisted 13 April 2018)
- Australian Masters Yield Fund No 4 Limited (since 2011)
- Cordish Dixon Private Equity Fund I (since 2012)
- Cordish Dixon Private Equity Fund II (since 2013)
- Cordish Dixon Private Equity Fund III (since 2016)
- Evans & Partners Asia Fund (since 2018)
- Evans & Partners Australian Flagship Fund (since 2018)
- Evans & Partners Global Disruption Fund (2017)
- Evans & Partners Global Flagship Fund (since 2012)
- Global Resource Masters Fund Limited (since 2008, delisted 11 March 2016)
- New Energy Solar Fund (since 2015)
- New Energy Solar Limited (since 2015, until 27 October 2017)
- US Masters Residential Property Fund (since 2011)

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Christopher Brown, BChem Eng (Hons) (USyd), BCom (USyd)
Non-Executive Director

Chris is a director of the Australian Masters Yield Fund Series and serves as Managing Director and Chief Strategy Officer at Evans Dixon Limited.

Prior to joining the firm, Chris was an Executive Director at UBS AG in the Investment Banking Division in Sydney. During his eight years at UBS, he provided capital markets and M&A advice to many different public and private companies in Australia and overseas. Chris specialised in providing this advice to industrial, utility, infrastructure, property and financial companies. Chris spent several years in the UBS Mergers & Acquisitions Group in New York working on transactions in chemicals, healthcare, consumer products, media, telecoms, technology, insurance and utilities.

Before joining UBS, Chris also worked in the Investment Banking division of ABN AMRO, as well as for a Sydney based property funds management company and a chemical engineering and design company. Chris has a Bachelor of Chemical Engineering with 1st class honours and a Bachelor of Commerce, both from the University of Sydney.

Chris was appointed as non-executive director on 15 November 2012, and he directly holds 1 and beneficially holds 100 fully paid ordinary shares in the capital of the Company.

During the last three years, Chris has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:

- Australian Masters Corporate Bond Fund No 5 Limited (since 2009, delisted 26 August 2016)
- Australian Masters Yield Fund No 1 Limited (since 2010, delisted 28 July 2017)
- Australian Masters Yield Fund No 2 Limited (since 2010, delisted 28 July 2017)
- Australian Masters Yield Fund No 3 Limited (since 2011, delisted 13 April 2018)
- Australian Masters Yield Fund No 4 Limited (since 2011)

Warwick Keneally, BEc BCom (ANU), CA
Non-Executive Director (appointed 19 July 2017)

Warwick Keneally is currently Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon Limited and Director of Walsh & Company Investments Limited, the Responsible Entity for Australian Governance & Ethical Index Fund, Cordish Dixon Private Equity Series, Evans & Partner Asia Fund, Evans & Partners Australian Flagship Fund, Evans & Partners Global Disruption Fund, Evans & Partners Global Flagship Fund, Fort Street Real Estate Capital Fund Series, US Masters Residential Property Fund and Venture Capital Opportunities Fund.

Before joining Walsh & Company, Warwick worked in chartered accounting, specialising in turnaround and restructuring. He began his career with KPMG, working in its Canberra, Sydney and London offices and has undertaken a range of complex restructuring and insolvency engagements across Europe, UK and Australia, for a range of global banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and has lectured on cash management. Among his former roles, Warwick worked on the initial stages of the HIH insolvency as part of the key management group tasked with the wind-down of the global estate.

Warwick has a Bachelor of Economics and Bachelor of Commerce from Australian National University and is a Member of the Institute of Chartered Accountants in Australia.

Warwick was appointed non-executive director on 19 July 2017 and he holds no share in the capital of the Company.

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During the last three years, Warwick has acted as either a director or a non-executive director of the responsible entity of the following Australian listed public entities:

- Asian Masters Fund Limited (since 2018, delisted 17 May 2018)
- Australian Governance & Ethical Index Fund (since 2018)
- Australian Masters Yield Fund No 4 Limited (since 19 July 2017)
- Cordish Dixon Private Equity Fund I (since 2017)
- Cordish Dixon Private Equity Fund II (since 2017)
- Cordish Dixon Private Equity Fund III (since 2017)
- Evans & Partners Asia Fund (since 2018)
- Evans & Partners Australian Flagship Fund (since 2018)
- Evans & Partners Global Disruption Fund (since 2017)
- Evans & Partners Global Flagship Fund (since 2017)
- New Energy Solar Fund (since 2017)
- New Energy Solar Limited (since 2016, until 3 May 2017)
- US Masters Residential Property Fund (since 2017)

Thomas Kline, BCom LLB (Hons) (ANU)

Non-Executive Chairman (resigned 19 July 2017)

Tom is the Executive Director - North America for New Energy Solar (ASX: **NEW**). Tom was the inaugural Chief Executive Officer of New Energy Solar after its launch in December 2015, and was previously the Chief Operating Officer of Walsh & Company Investments Limited, the Funds Management division of Evans Dixon Limited. Tom relocated to the US in April 2017 to oversee the operation of NEW's existing portfolio of solar power assets and to continue to guide the business' investment in North American projects.

Tom has extensive experience in funds management, corporate finance, and mergers and acquisitions, having been part of the senior management team at Walsh & Company and Dixon Advisory since 2009. Before joining the firm, he worked at UBS AG in Sydney. During his time at UBS, he was a member of the Power, Utilities and Infrastructure team and advised on a wide range of public and private M&A and capital market transactions. Tom has advised some of Australia's leading energy generators and infrastructure players including EnergyAustralia and Transurban. He also advised energy and utility companies on the proposed introduction of Australia's federal carbon trading scheme (Carbon Pollution Reduction Scheme) and implications for fossil fuel and renewable energy generation.

Tom has a Bachelor of Commerce and Bachelor of Laws (with honours) from Australian National University.

He was appointed as non-executive director on 15 November 2012 and non-executive chairman on 28 June 2013, and holds no shares in the capital of the Company.

During the last three years, Tom has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:

- Australian Masters Yield Fund No 4 Limited (since 2012 until 19 July 2017)
- Cordish Dixon Private Equity Fund I (since 2012 until 16 May 2017)
- Cordish Dixon Private Equity Fund II (since 2013 until 16 May 2017)
- Cordish Dixon Private Equity Fund III (since 2016 until 16 May 2017)
- Evans & Partners Global Flagship Fund (since 2012 until 16 May 2017)
- US Masters Residential Property Fund (since 2015 until 16 May 2017)

Company secretary

The name of the Company Secretary in office at the date of this report is Ms Hannah Chan.

Information on company secretary

Hannah Chan, BCom (UNSW), MCom (USyd), CA

Hannah has a Bachelor of Commerce degree in Finance from the University of New South Wales and a Master of Commerce degree in Accounting from the University of Sydney. She is also a Chartered Accountant with the Institute of Chartered Accountants in Australia. Prior to joining Walsh & Company, Hannah gained extensive audit experience while working with Deloitte Touche Tohmatsu and Ernst & Young.

Australian Masters Yield Fund No 5 Limited
Directors' report
30 June 2018

She is also the Company Secretary of Australian Masters Yield Fund Series and joint Company Secretary of Walsh & Company Investments Limited.

Hannah was appointed as Company Secretary on 29 June 2010.

Principal activities and significant changes in nature of activities

The principal activity of the Company during the financial year was investing in Australian dollar-denominated income securities. There were no significant changes in the nature of these activities of the Company that occurred during the year.

Results and review of operations

The profit for the company after providing for income tax amounted to \$2,023,176 (30 June 2017: \$2,889,704).

The Company has fully invested in a portfolio of Australian dollar denominated income securities with a face value of \$56.7 million.

The movement in the Company's profit was primarily driven by the relative stability in values of the Company's remaining financial assets measured at fair value through profit and loss as compared to the prior year.

During the year the Company distributed or provided for three fully franked dividends totalling \$1.30 per share and one 60% franked dividend of \$0.69 per share. The net asset value per share was \$60.20 at 30 June 2018 (2017: \$60.19).

The weighted average number of ordinary shares for the year was 1,011,041 (2017: 1,011,041). The basic and diluted earnings per share after tax was \$2.00 compared to \$2.86 for the previous year.

Further details are included in the Chairman's Letter which forms part of this financial report.

Dividends

Dividends paid during the financial year were as follows:

	2018	2017
	\$	\$
Fully franked dividends of \$1.85 per share	-	1,870,426
Unfranked dividend of \$0.42 per share	-	424,637
60% franked dividend of \$0.69 per share	697,618	-
Fully franked dividends of \$1.30 per share	1,314,354	-
	<u>2,011,972</u>	<u>2,295,063</u>

Dividends of \$1.99 paid during the 2018 financial year were comprised of:

- 60% franked dividend \$0.69 paid on 28 August 2017
- Fully franked dividend \$0.44 paid on 30 November 2017
- Fully franked dividend \$0.53 paid on 9 March 2018
- Fully franked dividend \$0.33 paid on 29 May 2018

Dividends of \$2.27 paid during the 2017 financial year were comprised of:

- Fully franked dividend \$0.71 paid on 18 August 2016
- Fully franked dividend \$0.54 paid on 30 November 2016
- Fully franked dividend \$0.60 paid on 3 March 2017
- Unfranked dividend \$0.42 paid on 13 June 2017

The tax rates at which paid dividends have been franked are 27.5% and 30% (2017: 30%).

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2018

Directors' meetings

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Meetings held	Meetings attended
Alexander MacLachlan	4	4
Christopher Brown	4	4
Warwick Kenealy	4	4

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the company, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Determination of remuneration
- Details of remuneration
- Service agreements
- Additional disclosures relating to key management personnel

Details of remuneration

Alexander MacLachlan, Christopher Brown, Thomas Kline and Warwick Kenealy were not paid any remuneration for the services they perform as directors for the year ended 30 June 2018 (2017: nil).

Determination of remuneration

Under the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. However, Alexander MacLachlan, Christopher Brown, Thomas Kline and Warwick Kenealy have agreed not to be paid any remuneration, including incentives, retirement benefits and other benefits, for the services they perform as directors. Aside from the directors, there are no other key management personnel.

Service agreements

The Company does not presently have formal service agreements or employment contracts with any of the key management personnel.

Australian Masters Yield Fund No 5 Limited
Directors' report
30 June 2018

Additional disclosures relating to key management personnel

Directors protection deeds

The Company has agreed to provide access to board papers and minutes to current and former directors of the Company while they are directors and for a period of seven years after they cease to be directors.

The Company has agreed to indemnify, to the extent permitted by the *Corporations Act 2001*, each officer in respect of certain liabilities which the director may incur as a result of, or by reason of (whether solely or in part), being or acting as a director of the Company.

Shareholding

At the date of this report, the number of shares in the Company held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>				
Christopher Brown	101	-	-	101
Alexander MacLachlan	50	-	-	50
	<u>151</u>	<u>-</u>	<u>-</u>	<u>151</u>

Related-party transactions

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

(i) Management fee

The Manager, Walsh & Company Asset Management Pty Limited, is a wholly owned subsidiary of Evans Dixon Limited. The Manager received an annualised management fee of 0.59% (excluding GST) of the value of the Portfolio. The management fee paid or payable for the year was \$360,632 (2017: \$445,630) exclusive of GST.

No management fees are outstanding to the Manager at year-end (2017: nil).

(ii) Administration costs

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of Evans Dixon Limited (the parent of the Manager), provides fund administration services under an agreement with the Manager.

Total fund administration fee paid or payable for the year was \$90,000 (2017: \$90,000), exclusive of GST.

This concludes the remuneration report, which has been audited.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Future developments, prospects and business strategies

The Company is fully invested and currently has the intention to hold all existing investments until maturity, however it continues to monitor opportunities to maximise value for Shareholders. The Company may seek shareholder approval from time to time to return capital derived from the maturity of its investments to Shareholders.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2018

Options

No options over issued shares or interests in the Company were granted during, or since the end of, the financial year and there were no options outstanding at the date of this report.

Indemnifying officers or auditor

Indemnities have been given during, or since the end of, the year for all the Directors of the Company.

No indemnities have been given or insurance premiums paid during, or since the end of, the year for the auditor of the Company.

Proceedings on behalf of the company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all, or any part of, those proceedings.

The Company was not a party to any such proceedings during the year.

After balance date events

On 1 August 2018, the Company announced a fully franked dividend of \$0.76 per share. The dividend is expected to be paid to Shareholders on 24 August 2018.

There have not been any other events of a material and unusual nature likely, 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.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors,



Mr Alex MacLachlan
Chairperson

28 August 2018

The Board of Directors
Australian Masters Yield Fund No 5 Limited
Level 15, 100 Pacific Highway
North Sydney NSW 2060

28 August 2018

Dear Board Members

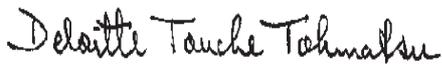
Australian Masters Yield Fund No 5 Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Australian Masters Yield Fund No 5 Limited.

As lead audit partner for the audit of the financial statements of the Australian Masters Yield Fund No 5 Limited for the year ended 30 June 2018, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

Australian Masters Yield Fund No 5 Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018	2017
		\$	\$
Revenue	4	3,512,343	3,904,739
Gain on financial assets at fair value through profit or loss		-	797,922
Expenses			
Management and administration fee	18	(468,648)	(558,020)
Accounting and audit fee		(31,131)	(31,413)
Registry fees		(36,389)	(27,926)
Listing fees		(45,051)	(43,274)
Custody fees		(13,794)	(18,670)
Other expenses		(28,496)	(56,565)
Profit before income tax expense		2,888,834	3,966,793
Income tax expense	5	(865,658)	(1,077,089)
Profit after income tax expense for the year attributable to the owners of Australian Masters Yield Fund No 5 Limited		2,023,176	2,889,704
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Australian Masters Yield Fund No 5 Limited		<u>2,023,176</u>	<u>2,889,704</u>
		Cents	Cents
Basic earnings per share	20	200.11	285.81
Diluted earnings per share	20	200.11	285.81

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Australian Masters Yield Fund No 5 Limited
Statement of financial position
As at 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	6	2,055,460	2,101,161
Other receivables	7	3,740	8,804
Financial assets	8	10,543,927	-
Total current assets		<u>12,603,127</u>	<u>2,109,965</u>
Non-current assets			
Financial assets	9	48,541,360	58,919,494
Deferred tax assets	10	12,060	10,918
Total non-current assets		<u>48,553,420</u>	<u>58,930,412</u>
Total assets		<u>61,156,547</u>	<u>61,040,377</u>
Liabilities			
Current liabilities			
Current tax liabilities	12	250,338	148,216
Other payables	11	42,544	39,700
Total current liabilities		<u>292,882</u>	<u>187,916</u>
Total liabilities		<u>292,882</u>	<u>187,916</u>
Net assets		<u>60,863,665</u>	<u>60,852,461</u>
Equity			
Issued capital	13	59,724,093	59,724,093
Retained earnings		<u>1,139,572</u>	<u>1,128,368</u>
Total equity		<u>60,863,665</u>	<u>60,852,461</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Australian Masters Yield Fund No 5 Limited
Statement of changes in equity
For the year ended 30 June 2018

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	75,142,468	533,727	75,676,195
Profit after income tax expense for the year	-	2,889,704	2,889,704
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	2,889,704	2,889,704
Capital returns (note 13)	(15,418,375)	-	(15,418,375)
Dividends paid (note 14)	-	(2,295,063)	(2,295,063)
Balance at 30 June 2017	<u>59,724,093</u>	<u>1,128,368</u>	<u>60,852,461</u>
	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2017	59,724,093	1,128,368	60,852,461
Profit after income tax expense for the year	-	2,023,176	2,023,176
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	2,023,176	2,023,176
Dividends paid (note 14)	-	(2,011,972)	(2,011,972)
Balance at 30 June 2018	<u>59,724,093</u>	<u>1,139,572</u>	<u>60,863,665</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Australian Masters Yield Fund No 5 Limited
Statement of cash flows
For the year ended 30 June 2018

	Note	2018	2017
		\$	\$
Cash flows from operating activities			
Interest received from investments		3,318,500	3,310,554
Interest received from banks		32,661	90,826
Dividends received		-	379,803
Management fees paid		(396,695)	(490,193)
Payments to suppliers		(223,517)	(272,472)
Net tax paid		(764,678)	(604,104)
Net cash from operating activities	19	<u>1,966,271</u>	<u>2,414,414</u>
Cash flows from investing activities			
Proceeds from redemption of investments		-	15,438,658
Net cash from investing activities		<u>-</u>	<u>15,438,658</u>
Cash flows from financing activities			
Dividends paid	14	(2,011,972)	(2,295,063)
Capital returns paid	13	-	(15,418,375)
Net cash used in financing activities		<u>(2,011,972)</u>	<u>(17,713,438)</u>
Net (decrease)/increase in cash and cash equivalents		(45,701)	139,634
Cash and cash equivalents at the beginning of the financial year		<u>2,101,161</u>	<u>1,961,527</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>2,055,460</u></u>	<u><u>2,101,161</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

1. General information

The financial report covers Australian Masters Yield Fund No 5 Limited (**Company**) as an individual entity. Australian Masters Yield Fund No 5 Limited is a company limited by shares, incorporated and domiciled in Australia where its shares are publicly traded on the Australian Securities Exchange Limited (**ASX**).

The financial report has been approved for issue in accordance with a resolution of the directors on 28 August 2018.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

In the current year, the Company has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (**AASB**) that are mandatorily effective for an accounting period that begins on or after 1 July 2017, and therefore relevant for the current year end.

- AASB 2016-1 "Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses"
- AASB 2016-2 "Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107"
- AASB 2017-2 "Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016"

The adoption of the above standards had no material impact on the financial statements.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report has been prepared on an accruals basis and is based on historical costs. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The comparative period of this report is from 1 July 2016 to 30 June 2017.

Foreign currency transactions and balances

The functional currency of the entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when declared during the financial year.

Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, at the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year, as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted, or substantively enacted, at the end of the reporting period. Their measurement also reflects the manner in which Management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists, and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off of current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2. Summary of significant accounting policies (continued)

Financial instruments

Financial Instruments, which incorporate financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

The Company elected to adopt "AASB 9 Financial Instruments", which was issued on 7 December 2009. AASB 9 includes requirements for the classification and measurement of financial assets. The Company has not early adopted subsequent amendments to AASB 9 issued in 2010 and 2013.

Financial assets

(i) Initial recognition and measurement

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition.

(ii) Subsequent measurement

Financial assets are subsequently measured at amortised cost using the effective interest rate method, only if the following conditions are met, otherwise they are measured at fair value where:

- a) the financial asset is held within a business model with the objective to collect contractual cash flows; and
- b) contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rate method is used to allocate interest income or interest expenses over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified as derivative and non-derivative instruments, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at amortised cost.

(ii) Subsequent measurement

Non-derivative instruments are subsequently measured at amortised cost using the effective interest rate method.

2. Summary of significant accounting policies (continued)

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is determined based on the bid price for all quoted investments in an active market. Valuation techniques are applied to determine the fair value for all unlisted securities and securities in markets that are not active, including recent arm's length transactions, with reference to similar instruments and valuation techniques commonly used by market participants.

Provisions

Provisions are recognised where the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share is determined by dividing the profit/(loss) after income tax, excluding any cost of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share is the same because there are no dilutive potential ordinary shares.

Operating segments

The Company is engaged in investing activities conducted in Australia and derives revenue from both fixed and variable interest financial assets.

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

In most cases, the Company qualifies for Reduced Input Tax Credits (RITCs) at a rate of 75%; hence expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from the Australian Taxation Office is included in other receivables in the statement of financial position.

Cash flows are presented in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

New Accounting Standards and Interpretations not yet mandatory or early adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective, which are expected to be applicable to the Company, are listed below.

AASB 9 Financial Instruments, and the relevant amending standards

This standard applies to annual reporting periods beginning on or after 1 January 2018. The Company will adopt the relevant amending standards from 1 July 2018, but its adoption will have no impact on the Company.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

2. Summary of significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 "Amendments to Australian Accounting Standards arising from AASB 15", AASB 2015-8 "Amendments to Australian Accounting Standards – Effective date of AASB 15", and AASB 2016-3 "Amendments to Australian Accounting Standards – Clarifications to AASB 15"

These amendments are applicable to annual reporting periods beginning on or after 1 January 2018. The Company will adopt this standard from 1 July 2018, but its adoption will have no impact on the Company.

AASB Interpretation 23 Uncertainty Over Income Tax Treatments, AASB 2017- 4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments

This interpretation is applicable to annual reporting periods beginning on or after 1 January 2019. The Company will adopt this standard from 1 July 2019, but the impact of its adoption is yet to be assessed by the Company.

Annual Improvements to IFRS Standards 2015–2017 Cycle

This interpretation is applicable to annual reporting periods beginning on or after 1 January 2019. The Company will adopt this standard from 1 July 2019, but the impact of its adoption is yet to be assessed by the Company.

3. Critical accounting judgements, estimates and assumptions

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events, and are based on current trends and economic data obtained both externally and within the Company.

Key estimates and judgements - impairment

The directors regularly review the investments held in the Company's portfolio and where it believes that impairment has occurred, or is likely to occur, it will normally seek to exit the position.

The Company follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement in determining when a financial asset is impaired. This determination requires significant judgement.

In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee including industry and sector performance as well as operational and financing cash flows.

The Company is a long-term investor and does not regard short-term or cyclical movements in the unit price of its investments as evidence of impairment.

No impairment has been recognised in respect of financial assets.

4. Revenue

	2018	2017
	\$	\$
Interest from investments in financial assets	3,484,292	3,433,083
Interest from banks	28,051	91,853
Dividend income	-	379,803
Revenue	<u>3,512,343</u>	<u>3,904,739</u>

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

5. Income tax expense

	2018	2017
	\$	\$
<i>Income tax expense</i>		
Current tax	866,800	754,844
Deferred tax	(1,142)	322,245
	<u>865,658</u>	<u>1,077,089</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>2,888,834</u>	<u>3,966,793</u>
Tax at the statutory tax rate of 30%	866,650	1,190,038
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Franking credits from dividends	<u>-</u>	<u>(113,941)</u>
Other	<u>866,650</u>	<u>1,076,097</u>
	(992)	992
Income tax expense	<u>865,658</u>	<u>1,077,089</u>

6. Current assets - Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank	<u>2,055,460</u>	<u>2,101,161</u>

The weighted average interest rate on cash at bank is 1.59% (2017: 1.59%) at year-end.

7. Current assets - Other receivables

	2018	2017
	\$	\$
Interest receivable	2,935	7,545
GST receivable	<u>805</u>	<u>1,259</u>
	<u>3,740</u>	<u>8,804</u>

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

8. Current assets - Financial assets

	2018	2018
	Face Value	Amortised
	\$	Cost
		\$
Corporate bonds (Maturity date, Coupon rate)		
Fixed rate		
Anglo American Capital PLC (27-Nov-18, 5.75%)	5,000,000	5,020,917
Anglo American Capital PLC (27-Nov-18, 5.75%)	5,500,000	5,523,010
	<u>10,500,000</u>	<u>10,543,927</u>

2017: Nil

9. Non-current assets - Financial assets

	2018	2018
	Face Value	Amortised
	\$	Cost
		\$
Corporate bonds (Maturity date, Coupon rate)		
Fixed rate		
Lend Lease Finance (13-May-20, 6.00%)	22,500,000	22,682,964
Praeco (28-Jul-20, 7.13%)	3,710,000	3,793,376
Praeco (28-Jul-20, 7.13%)	1,000,000	1,027,463
Mirvac Group Finance (18-Sep-20, 5.75%)	10,000,000	10,121,200
Sydney Airport Finance (20-Nov-20, 3.76%)	6,000,000	7,909,666
Floating rate		
IAG (19-Mar-40, BBSW + 2.80%)	3,000,000	3,006,691
	<u>46,210,000</u>	<u>48,541,360</u>

Total face value and total carrying amount at 30 June 2018 was \$56,710,000 and \$59,085,287 respectively.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

9. Non-current assets - Financial assets (continued)

	2017 Face Value \$	2017 Amortised Cost \$
Corporate bonds (Maturity rate, Coupon rate)		
Fixed rate		
Anglo American Capital PLC (27-Nov-18, 5.75%)	5,000,000	5,010,027
Anglo American Capital PLC (27-Nov-18, 5.75%)	5,500,000	5,511,028
Lend Lease Finance (13-May-20, 6.00%)	22,500,000	22,684,722
Praeco (28-Jul-20, 7.13%)	3,710,000	3,809,720
Praeco (28-Jul-20, 7.13%)	1,000,000	1,034,065
Mirvac Group Finance (18-Sep-20, 5.75%)	10,000,000	10,104,682
Sydney Airport Finance (20-Nov-20, 3.76%)	6,000,000	7,758,154
Floating rate		
IAG (19-Mar-40, BBSW + 2.80%)	3,000,000	3,007,096
	<u>56,710,000</u>	<u>58,919,494</u>

Total face value and total carrying amount at 30 June 2017 was \$56,170,000 and \$58,919,494 respectively.

10. Non-current assets - Deferred tax assets

	2018 \$	2017 \$
<i>Deferred tax asset comprises:</i>		
Other	12,060	10,918
Deferred tax asset	<u>12,060</u>	<u>10,918</u>

The directors expect the Company's deferred tax balances to reverse in a period that the corporate tax rate of 30% applies and accordingly, the deferred tax balance at 30 June 2018 is calculated using 30%.

11. Current liabilities - Other payables

	2018 \$	2017 \$
Other payables	871	-
Accrued expenses	41,673	39,700
	<u>42,544</u>	<u>39,700</u>

12. Current tax liabilities

	2018 \$	2017 \$
Provision for income tax	<u>250,338</u>	<u>148,216</u>

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

13. Equity - Issued capital

	2018	2017	2018	2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,011,041</u>	<u>1,011,041</u>	<u>59,724,093</u>	<u>59,724,093</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2016	1,011,041	75,142,468
Fourth Capital Return of \$15.25 per share	13 June 2017	<u>-</u>	<u>(15,418,375)</u>
Balance	30 June 2017	<u>1,011,041</u>	<u>59,724,093</u>
Balance	30 June 2018	<u>1,011,041</u>	<u>59,724,093</u>

Ordinary shares

Holders of ordinary shares participate in dividends and the proceeds on the winding up of the Company in proportion to the number of shares held.

At Shareholder meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Company's objective in managing capital is to continue to provide Shareholders with dividends and capital stability over the long term.

The Company's capital may fluctuate with prevailing market movements and it may undertake a buyback of its shares in the event that they trade at a sizable discount to NTA backing.

The Company's capital consists of Shareholders' equity plus financial liabilities. The movement in equity is shown in the Statement of Changes in Equity. At 30 June 2018, financial liabilities were \$292,882 (2017: \$187,916). There are no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

14. Equity - Dividends

Dividends

Dividends paid during the financial year were as follows:

	2018 \$	2017 \$
Fully franked dividends of \$1.85 per share	-	1,870,426
Unfranked dividend of \$0.42 per share	-	424,637
60% franked dividend of \$0.69 per share	697,618	-
Fully franked dividends of \$1.30 per share	1,314,354	-
	<u>2,011,972</u>	<u>2,295,063</u>

Dividends of \$1.99 paid during the 2018 financial year were comprised of:

- 60% franked dividend \$0.69 paid on 28 August 2017
- Fully franked dividend \$0.44 paid on 30 November 2017
- Fully franked dividend \$0.53 paid on 9 March 2018
- Fully franked dividend \$0.33 paid on 29 May 2018

Dividends of \$2.27 paid during the 2017 financial year were comprised of:

- Fully franked dividend \$0.71 paid on 18 August 2016
- Fully franked dividend \$0.54 paid on 30 November 2016
- Fully franked dividend \$0.60 paid on 3 March 2017
- Unfranked dividend \$0.42 paid on 13 June 2017

The tax rates at which paid dividends have been franked are 27.5% and 30% (2017: 30%).

Franking credits

	2018 \$	2017 \$
Franking credits available at the reporting date based on a tax rate of 30%	9,872	(32,744)
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	<u>250,338</u>	<u>148,216</u>
Franking credits available for subsequent financial years	<u>260,210</u>	<u>115,472</u>

15. Financial instruments

Financial risk management policies

The Company's financial instruments consist mainly of deposits with banks and investments in income securities. The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets recognised at the reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

15. Financial instruments (continued)

Interest rate risk is managed using a mix of fixed and floating rate financial assets. At 30 June 2018, approximately 95% of the financial assets were at a fixed rate and 5% of the financial assets were at a floating rate.

	2018		2017	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	1.59%	2,055,460	1.59%	2,101,160
Other receivables	-	3,740	-	8,804
Investment in financial assets	5.75%	<u>63,020,499</u>	5.75%	<u>66,202,218</u>
Net exposure to cash flow interest rate risk		<u><u>65,079,699</u></u>		<u><u>68,312,182</u></u>

An analysis by remaining contractual maturities is shown in "Liquidity risk" below.

The Company has performed sensitivity analysis relating to its exposure to its interest rate risk at the balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks on financial asset balances at year-end that have a variable interest rate.

2018	% change	Effect on		% change	Effect on	
		profit before tax	equity		profit before tax	equity
Cash at bank	1	20,555	20,555	(1)	(20,555)	(20,555)
Financial assets	1	<u>30,000</u>	<u>30,000</u>	(1)	<u>(30,000)</u>	<u>(30,000)</u>
		<u><u>50,555</u></u>	<u><u>50,555</u></u>		<u><u>(50,555)</u></u>	<u><u>(50,555)</u></u>
2017	% change	Effect on		% change	Effect on	
		profit before tax	equity		profit before tax	equity
Cash at bank	1	21,012	21,012	(1)	(21,012)	(21,012)
Financial assets	1	<u>30,202</u>	<u>30,202</u>	(1)	<u>(30,211)</u>	<u>(30,211)</u>
		<u><u>51,214</u></u>	<u><u>51,214</u></u>		<u><u>(51,223)</u></u>	<u><u>(51,223)</u></u>

Credit risk

The maximum exposure to credit risk (excluding the value of any collateral or other security) at the balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. The Company does not have any material credit risk exposure to a single receivable or group of debtors under financial instruments entered into by the Company.

There are no amounts of collateral held as security at 30 June 2018.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay its financial liabilities when they fall due.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

15. Financial instruments (continued)

The Company's exposure to liquidity risk is minimal. The Company had no borrowings at 30 June 2018, and cash inflows from coupons from the underlying financial assets are received at regular intervals to meet the obligations of the Company. Financial assets can generally be traded in the over-the-counter market, in the event the Company needs to convert investments into cash to realise underlying financial positions.

Remaining contractual maturities

The tables below reflect the undiscounted contractual settlement terms (interest and face value) for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. Interest is only included for amortised cost assets. The amounts will not reconcile to the Statement of Financial Position.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2018				
Non-derivatives				
Cash and cash equivalents	2,055,460	-	-	2,055,460
Other receivables	3,740	-	-	3,740
Investment in financial assets	2,633,544	60,386,955	-	63,020,499
Total non-derivatives	<u>4,692,744</u>	<u>60,386,955</u>	-	<u>65,079,699</u>

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2017				
Non-derivatives				
Cash and cash equivalents	2,101,161	-	-	2,101,161
Other receivables	8,804	-	-	8,804
Investment in financial assets	3,225,594	62,976,624	-	66,202,218
Total non-derivatives	<u>5,335,559</u>	<u>62,976,624</u>	-	<u>68,312,183</u>

16. Fair value measurement

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy reflecting the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

16. Fair value measurement (continued)

a) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Corporate bonds *	-	61,964,495	-	61,964,495
Total assets	-	61,964,495	-	61,964,495

* The amortised cost carrying value at 30 June 2018 is \$59,085,287 (refer to notes 8 & 9).

2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Corporate bonds *	-	62,640,659	-	62,640,659
Total assets	-	62,640,659	-	62,640,659

* The amortised cost carrying value at 30 June 2017 is \$58,919,494 (refer note 9).

The fair values of the financial assets measured at amortised cost included in the Level 2 category above have been determined by their redemption price at balance date, or where this is not available, by applying valuation techniques with reference to recent arm's length transactions or by applying market-based valuation techniques.

There were no transfers between levels during the financial year.

There were no key unobservable inputs or relations of unobservable inputs to fair value.

17. Key management personnel

Directors

The key management personnel of the Company comprise the Non-Executive Directors for the years ended 30 June 2018 and 30 June 2017.

Compensation

All Non-Executive Directors have agreed not to be paid any remuneration for the services they perform as directors.

Key management personnel remuneration has been included in the remuneration report section of the directors' report.

18. Related party transactions

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

Key management personnel

Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the directors' report.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

18. Related party transactions (continued)

Management fee

The Manager, Walsh & Company Asset Management Pty Limited, is a wholly owned subsidiary of Evans Dixon Limited. The Manager received an annualised management fee of 0.59% (exclusive of GST) of the value of the Portfolio. The management fee paid or payable for the year was \$360,632 (2017: \$445,630) exclusive of GST.

No management fees are outstanding to the Manager at the year-end (2017: Nil).

Administration costs

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of Evans Dixon 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 year was \$90,000 (2017: \$90,000), exclusive of GST.

19. Reconciliation of profit after income tax to net cash from operating activities

	2018	2017
	\$	\$
Profit after income tax expense for the year	2,023,176	2,889,704
Adjustments for:		
Accrued interest on financial assets	(165,792)	(119,097)
Loss on financial assets at fair value through profit or loss	-	(797,922)
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	5,063	(4,866)
(Increase)/decrease in deferred tax assets	(1,142)	322,245
Increase/(decrease) in other payables and accruals	2,844	(26,390)
Increase in income taxes payable	102,122	150,740
Net cash from operating activities	<u>1,966,271</u>	<u>2,414,414</u>

The Company does not have any formal loan facilities in place at the date of these financial statements.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

20. Earnings per share

	2018	2017
	\$	\$
Profit after income tax attributable to the owners of Australian Masters Yield Fund No 5 Limited	<u>2,023,176</u>	<u>2,889,704</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,011,041</u>	<u>1,011,041</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,011,041</u>	<u>1,011,041</u>
	Cents	Cents
Basic earnings per share	200.11	285.81
Diluted earnings per share	200.11	285.81

There are no instruments that could potentially dilute basic earnings per share in the future.

21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	2018	2017
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i> Audit or review of the financial statements	<u>27,800</u>	<u>27,000</u>

22. Commitments

The Company has no capital commitments at the balance date.

23. Contingent liabilities

The directors are not aware of any potential liabilities or claims against the Company at the balance date.

24. Events after the reporting period

On 1 August 2018, the Company announced a fully franked dividend of \$0.76 per share. The dividend was paid to Shareholders on 24 August 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2018

25. Company details

The registered office and principal place of business of the Company is:

Australian Masters Yield Fund No 5 Limited
Level 15, 100 Pacific Highway
North Sydney NSW 2060

Australian Masters Yield Fund No 5 Limited

Directors' declaration

30 June 2018

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors,



Mr Alex MacLachlan
Chairperson

28 August 2018

Independent Auditor's Report to the members of Australian Masters Yield Fund No 5 Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Masters Yield Fund No 5 Limited (the "Company") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><i>Impairment of Financial Assets</i></p> <p>As disclosed in Notes 8 and 9, the Company's financial assets comprise of investments in fixed and floating rate corporate bonds held at amortised cost totalling \$59.1 million as at 30 June 2018.</p> <p>Significant judgement is required to determine if there are any indicators of impairment of the financial assets which would cause the financial assets not to be recovered at their carrying values at balance date.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the key processes adopted by management to determine if there are any impairment indicators in relation to the Company's financial assets; • Reviewing board minutes and published media reports during the reporting period to assess if there is any information regarding the issuer of the financial instruments which may impact on the recoverability of the financial assets; • Assessing on a sample basis the credit rating of the issuer at balance date to assess if there were any deterioration in credit rating during the reporting period; • Assessing on a sample basis that coupon receipts have been received during the reporting period in accordance with the scheduled coupon payment dates; and • Assessing the appropriateness of the disclosures included in Notes 2, 3, 8 and 9 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern

and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 16 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Australian Masters Yield Fund No 5 Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants
Sydney, 28 August 2018

Australian Masters Yield Fund No 5 Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 31 July 2018.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	1,597
1,001 to 5,000	193
	<u>1,790</u>
Holding less than a marketable parcel	<u>2</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number of shares held	% of total
MR KIMBLE MOSTYN LLOYD	4,500	0.45
THE DOUMANY FAMILY A/C	4,500	0.45
ROSENSHUL S/F A/C	4,100	0.41
THE DOUMANY SUPER FUND A/C	3,400	0.34
THE P & J LEITINGER S/F A/C	3,395	0.34
THE BEDO SUPER FUND A/C	3,100	0.31
J & M SUPER FUND A/C	3,000	0.30
PETTINGELL & GILLAM S/F A/C	3,000	0.30
HIGGINS FAMILY S/FUND A/C	2,972	0.29
J GILLINGHAM S/F A/C	2,900	0.29
THE N & V JACQUES S/F A/C	2,900	0.29
D & A SAINSBURY S/FUND A/C	2,600	0.26
EVANS SUPER FUND A/C	2,600	0.26
MJ & MA KELLY SUPER FUND A/C	2,527	0.25
SOUTHWOOD SUPER FUND A/C	2,500	0.25
R SUPERANNUATION FUND A/C	2,500	0.25
COOK FAMILY SUPER FUND A/C	2,500	0.25
RICHARDSON S/F A/C	2,500	0.25
JJ & C SUPERANNUATION A/C	2,500	0.25
VANTAGE CAPITAL MANAGEMENT PTY LTD	2,500	0.25
	<u>60,494</u>	<u>6.04</u>

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

There are no substantial holders in the Company.

Australian Masters Yield Fund No 5 Limited
Shareholder information
30 June 2018

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

There are no restricted securities on issue by the Company.

Transactions

There were no transactions in securities during the reporting period.

Australian Masters Yield Fund No 5 Limited
Management agreement
30 June 2018

The Company's investment activities are managed on an exclusive basis by the Manager. The Management Agreement is dated 26 November 2012 (**Management Agreement**).

Subject to any applicable regulations, the Company's investment policies and any written guidelines issued by the Company from time to time, the Manager will manage the portfolio and has discretion to acquire, hold and dispose of investments on behalf of the Company.

The term of the Management Agreement provides for the appointment of the Manager for a period commencing on 20 December 2012 and expiring on 20 December 2017 (**Initial Term**). Unless terminated during the initial term, the Management Agreement will be automatically extended for successive further terms of one year each.

The Manager is entitled to receive an annualised management fee of 0.59% (plus GST) of the value of the portfolio, payable annually in advance within 10 Business Days of each 30 June during the term of the Management Agreement. The Manager is not entitled to a performance fee.

The Manager is also entitled to be reimbursed by the Company for fees, costs and expenses when properly incurred in connection with the investment and management of the portfolio, the acquisition, disposal or maintenance of any investment or performance of the Manager's obligations under the Management Agreement, including costs of convening and holding a general meeting of the Company, fees payable to ASIC or any other regulatory body, outgoings in relation to the Portfolio (for example, insurance premiums, rates, levies, duties and taxes), all costs including commissions and brokerage incurred in connection with the acquisition or sale of any of the Company's investments or proposed investments as well as any software licensing or software subscription fees in connection with risk monitoring and investment research specifically in relation to the Portfolio incurred by the Manager approved by the Board.

The Manager may terminate the Management Agreement at any time by giving to the Company at least six months' written notice.

The Management Agreement gives the Company certain termination rights including the right to immediately terminate the Management Agreement if the Manager:

- a) becomes insolvent
- b) materially breaches its obligations and such breach cannot be rectified
- c) breaches its obligations and does not remedy that breach within 30 days after the Company has notified the Manager in writing to remedy the breach
- d) allows the value of the Portfolio to fall to a level below \$1,000,000 and a notice of meeting for the Company to be sent to shareholders which includes a resolution to seek approval to voluntarily wind up the Company
- e) persistently fails to ensure that investments made on behalf of the Company are consistent with the Company's investment strategy.

The Company may also terminate the Management Agreement if the licence under which the Manager performs its obligations is suspended for a period of one month or more or is cancelled at any time and the Manager fails to maintain an authorisation enabling it to perform its obligations under the Agreement from a third-party holder of a licence.

The Company is also entitled to terminate the Management Agreement after the expiration of the Initial Term on delivery of three months' prior written notice.

Australian Masters Yield Fund No 5 Limited
Corporate directory
30 June 2018

The Company's shares are quoted on the official list of the Australian Securities Exchange Limited (ASX).

Home Exchange is Sydney.

ASX Code is **AYZ**.

Directors

Mr Alexander MacLachlan
(Non-Executive Chairperson)

Mr Christopher Brown
(Non-Executive Director)

Mr Warwick Keneally
(Non-Executive Director)

Share Registry managed by

Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000

Telephone Facsimile
1300 737 760 1300 653 459
Website: www.boardroomlimited.com.au

Company Secretary

Ms Hannah Chan

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Registered Office

Level 15
100 Pacific Highway
North Sydney NSW 2060

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1300 454 801 1300 457 349

Principal Office

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North Sydney NSW 2060

Bankers

Macquarie Bank
ANZ Bank

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Website: www.amyf.com.au



ANNUAL REPORT **FOR THE YEAR ENDED 30 JUNE 2018**

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