



ANNUAL REPORT 2019

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019



**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 2019

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Australian Masters Yield Fund No 5 Limited
Chairman's letter
30 June 2019

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 2019 (**FY19**). The Company is part of the Australian Masters Yield Fund Series.

OVERVIEW OF FUND PERFORMANCE

As at 30 June 2019, the Fund was invested in four different fixed income securities issued by Australian and international companies, with a face value totalling \$36.1 million.

The table below outlines the holdings of the Fund at 30 June 2019.

ISSUER	TYPE	MATURITY	FACE VALUE
Lend Lease Corporation	Senior Bond	13-May-20	\$16,100,000
Mirvac Finance	Senior Bond	18-Sep-20	\$10,000,000
Praeco	Senior Bond	28-Jul-20	\$4,000,000
Sydney Airports	Capital Indexed Bond	20-Nov-20	\$6,000,000

The profit of the Fund (after providing for income tax) amounted to \$1,966,949 (2018: \$2,023,176). The net asset value per share of the Fund at 30 June 2019 was \$46.91 (30 June 2018: \$60.20). The earnings per share (**EPS**) was calculated as \$1.95 (2018: \$2.00).

During the year, the Fund paid fully franked dividends of \$0.76 (August 2018), \$0.42 (December 2018), \$0.57 (February 2019) and \$0.25 (May 2019) and paid capital returns of \$10.26 (December 2018) and \$2.97 (May 2019). As at 30 June 2019 the Fund had returned \$52.86 per share of capital to Shareholders.

Subsequent to year end, the Fund announced a partially franked (74%) dividend of \$0.89 that is expected to be paid to Shareholders on 29 August 2019.

PORTFOLIO ACTIVITY

During FY19 senior bonds issued by Anglo American PLC (face value \$10,500,000) matured in November 2018 and subordinated notes issued by IAG (face value \$3,000,000) were called by the issuer in March 2019, with capital returned to Shareholders.

In addition to the maturities noted above, bonds issued by Lend Lease and Praeco Pty Ltd were partially sold. Both sales were executed in April 2019, above face value, reducing the exposure to these bonds by \$6,400,000 and \$710,000 (on a face value basis) respectively. The remaining fixed income securities held within the AMYF5 portfolio performed as expected, with coupons paid accordingly.

Subsequent to year-end on 2 August 2019 the Fund announced that in light of attractive market pricing, the Fund resolved to sell all four remaining investments prior to their maturity dates (which ranged from 13 May 2020 to 20 November 2020 under the terms of the issue), generating net proceeds of \$40.4 million. The Fund intends to distribute the sale proceeds by way of capital return and dividend and seek approval of the proposal at the next meeting of shareholders on 20 September 2019. As outlined in the Information Memorandum, the Fund intends to apply for suspension in trading on ASX following approval of the capital return, with a view to a subsequent wind up.

ECONOMIC CONDITIONS INFLUENCING YIELD PRODUCTS OVER FY19

Global market conditions positive, despite geopolitical risk and volatility

In the 12 months to 30 June, global share markets rose 12.80%, despite the decline and volatility experienced in the December half. The primary driver of market performance during this time has been strong company profit growth driven by a strong US economy, low unemployment and positive global growth.

The global economy has been robust, with positive real gross domestic product (**GDP**) growth, low inflation and low unemployment. In this stable economic environment, companies have prospered, particularly in the United States, resulting in strong revenue growth and profitability. Political issues, however, have influenced market sentiment throughout the year and generated volatility over the period, with markets falling towards the end of 2018. This was

due largely to concerns around slowing economic growth, central bank policies, international trade risks and the ongoing discussions and negotiations surrounding the potential exit of Britain from the European Union.

The most significant political concern at present is the conflict between the US and China, which has so far taken the form of what is commonly referred to as a 'trade war'. However, it is also, to some degree, a negotiation around currency, with China allowing the trading range of the Yuan to adjust to more favourable levels after the US moved to impose tariffs on a broader range of Chinese imports. The dispute is hurting both the US and Chinese economies through declining exports, as well as consumers, who are impacted by the higher prices of imports and supply constraints.

The US Federal Reserve (**Fed**) had been steadily increasing interest rates from zero in 2015 to 2.50% in late 2018, lifting rates four times during the calendar year 2019. Market sentiment was already negative when the Fed raised the cash rate by 0.25% in December 2018, against the expectation of many market commentators and analysts. In early January Federal Open Market Committee (**FOMC**) members moved quickly to lower their forecast for interest rate hikes for the balance of the 2019 calendar year, amid volatility in financial markets and slowing global growth. The Fed's January 2019 statement then indicated that they had switched to a "patient" stance – and by the end of the March 2018, the expectation of further rate hikes in the US has declined markedly, with markets pricing a small possibility that the next move would be down.

Prior to the end of the financial year FOMC members were already signalling the likelihood of impending rate cuts. Subsequent to year end, the Fed cash rate range was reduced by 0.25%, with interest rate markets pricing in the possibility of another two rate cuts by the end of 2019.

The European Central Bank (**ECB**), which maintained their deposit rate at -0.40% for FY19, moved to partially unwind their ongoing support for financial markets by removing the "additional" bond purchase program by the end of 2018. However, in the face of extended market volatility and global trade uncertainties, ECB President Mario Draghi signalled potential interest rate cuts and fresh stimulus measures in a bid to lift the eurozone's economy — which has experienced declining GDP growth falling from 2.20% year-on-year, as at 30 June 2018 to 1.10% at the end of FY19.

Declining yields in fixed income markets

The US has been the largest driver of global growth in recent years, with year-on-year GDP growth and inflation in the US peaking at close to 3.00% and 3.20% respectively at the beginning of FY19, then declining to 2.30% and 1.60% by year end. The outlook for global growth has declined, while inflation in most markets remains low — and in most markets has declined.

In the US, the 10-year US Treasury yield rose from 2.86%, peaking at 3.24% in November, its highest level since 2011. This was assisted by continued economic momentum, the inflation outlook and the tightening trajectory of the Fed. However, since November long-term US Treasuries have been in a continuous decline, with 10-year bonds touching just below 2.00% before the end of the financial year and declining to 1.62% by mid-August. At the short end of the curve, 2-year treasury yields have reduced to similar levels, ending the year at 1.76% and currently trading just below 10-year yields.

In Australia, economic conditions have softened, and the RBA has cut rates

The Reserve Bank of Australia (**RBA**) maintained an accommodative monetary policy stance throughout FY19, keeping the cash rate at a record low of 1.50%, then cutting the cash rate by 0.25% on 5 June 2019 and again by another 0.25% following the 2 July meeting to a new low of 1.00%. The June 2019 rate cut marked the first rate move since August 2016, following a period of declining inflation, low wage growth and a soft housing market. The RBA decision reflects growing US and China trade war risks and underlying domestic uncertainties relating to household consumption and tight housing credit conditions.

The 10-year Australian Government Bond yield traced a similar path to US Treasuries, holding above 2.50% for the first five months of the year, but then declining from a high of 2.76% in November 2018 to 1.32% at financial year end — before falling further, to below 1.00% in August. GDP growth (down from 3.10% at 30 June 2018 to 1.80% at 31 March 2019) and subdued inflation (down from 2.10% at 30 June 2018 to 1.60% at 30 June 2019) placed downward pressure on yields. Short-term fixed income securities yields declined, with three-month bank bill yields down 0.89% to 1.21% as the RBA cut the cash rate by 0.25% in June, with a further well-signalled rate cut on 2 July 2019 (another

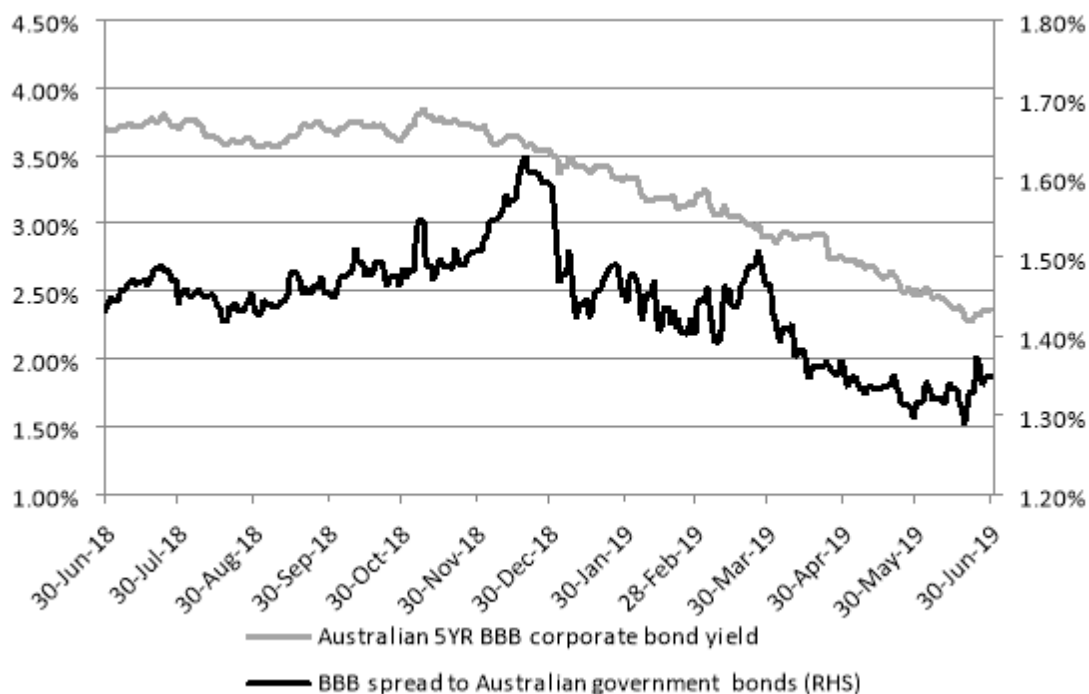
Australian Masters Yield Fund No 5 Limited
Chairman's letter
30 June 2019

0.25%). With 3-month yields currently also below 1.00%, it suggests that either the RBA will move to cut rates again, or that demand for short-term cash investments exceeds supply.

Credit spreads declined as investors hunted for yield

Corporate bond yields declined over FY19, broadly in line with the sovereign bonds, however spreads narrowed, as investors' demand for yield assets increased in the face of historically low cash rates — as Australian sovereign bond yields and central banks moved to a more economically supportive position. The 5-year BBB Australian bond yield declined from 3.68% to 2.36%, and the spread (to Australian Government Bonds (**AGB**)) declined from 1.43% to 1.35% — despite widening in December and again in March as global trade tensions peaked.

Australian 5-year BBB Corporate Bond yield and spread to AGB



Source: Bloomberg

Mr Alex MacLachlan
Chairperson

28 August 2019

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Corporate governance statement
30 June 2019

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 2019 (**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 Cth* (**Corporations Act**)
- 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's 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 in the investment guidelines 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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Corporate governance statement
30 June 2019

Each director of the Company receives a formal appointment letter outlining their terms of appointment, 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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30 June 2019

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. 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 2019 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.

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 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

Australian Masters Yield Fund No 5 Limited
Corporate governance statement
30 June 2019

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 2019 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.

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2019

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2019.

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

Mr Warwick Keneally - Non-Executive Director

Mr Phillip Lois - Non-Executive Director (appointed 24 July 2019)

Mr Christopher Brown – Non-Executive Director (resigned 24 July 2019)

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

Alex is currently Chairperson of the Responsible Entity or Trustee for Australian Governance & Ethical Index Fund, Cordish Dixon Private Equity Fund Series, CVC Emerging Companies Fund, Fort Street Real Estate Capital Fund Series, Evans & Partners Asia Fund, Evans & Partners Australian Flagship Fund, Evans & Partners Global Disruption Fund, Evans & Partners Global Flagship Fund, 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 over \$6 billion of 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, Alex 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 Master 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 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 (since 2017)
- Evans & Partners Global Flagship Fund (since 2012)
- New Energy Solar Fund (since 2015)
- New Energy Solar Limited (since 2015, until 27 October 2017)
- US Masters Residential Property Fund (since 2011)

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2019

Warwick Keneally, BEc BCom (ANU), CA
Non-Executive Director

Warwick is Interim Chief Financial Officer at Evans Dixon Limited and Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon Limited. He is a Director of Walsh & Company Investments Limited, the Responsible Entity or Trustee for Australian Governance & Ethical Index Fund, Cordish Dixon Private Equity Fund Series, CVC Emerging Companies Fund, 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, 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 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.

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 and New Zealand.

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

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)

Phillip Lois, BChem Eng (Hons) (USyd), BCom (USyd)
Non-Executive Director (appointed 24 July 2019)

Phillip is currently Deputy Chief Financial Officer of Evans Dixon Limited. He has substantial experience in financial management, debt and equity markets, mergers and acquisitions and corporate development. Since joining the Evans Dixon group in 2010, Phillip has worked across various divisions including Funds Management, Corporate Finance, Group Finance and Property Advisory, including four years in the Evans Dixon New York office as the Chief Financial Officer of the Evans Dixon US business. Prior to joining the Evans Dixon group, Phillip was an investment banker at UBS AG in the Natural Resources team advising and executing on mergers and acquisitions, and debt and equity capital markets transactions.

Phillip has a Bachelor of Chemical Engineering (Honours) and Bachelor of Commerce from University of Sydney.

Phillip was appointed as non-executive director on 24 July 2019, and he holds no share in the capital of the Company.

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

- Australian Masters Yield Fund No 4 Limited (since 24 July 2019)

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2019

Christopher Brown, BChem Eng (Hons) (USyd), BCom (USyd)
Non-Executive Director (resigned 24 July 2019)

Chris was a director of the Company until 24 July 2019.

Prior to joining Evans Dixon Limited, 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 10 March 2011, and beneficially holds 101 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 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 until 24 July 2019)

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 and New Zealand. Prior to joining Walsh & Company, Hannah gained extensive audit experience while working with Deloitte Touche Tohmatsu and Ernst & Young.

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

Hannah was appointed as Company Secretary on 15 November 2012.

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 \$1,966,949 (30 June 2018: \$2,023,176).

At balance date, the Company was invested in a portfolio of Australian dollar denominated income securities with a face value of \$36.1 million.

The movement in the Company's profit was primarily driven by the reduction of the income-producing assets of the Company as financial investments matured during the period, with proceeds being paid out as capital returns to Shareholders.

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2019

As approved by Shareholders at the Annual General Meeting held on 9 November 2018, the Company made its sixth and seventh capital returns of \$10.26 per share on 14 December 2018 and \$2.97 per share on 20 May 2019 respectively. During the year the Company distributed or provided for fully franked dividends totalling \$2.00 per share. The net asset value per share was \$46.91 at 30 June 2019 (2018: \$60.20).

The weighted average number of ordinary shares for the year was 1,011,041 (2018: 1,011,041). The basic and diluted earnings per share after tax was \$1.95 compared to \$2.00 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:

	2019 \$	2018 \$
Fully franked dividends of \$2.00 per share	2,022,081	-
60% franked dividend of \$0.69 per share	-	697,618
Fully franked dividends of \$1.30 per share	-	1,314,354
	<u>2,022,081</u>	<u>2,011,972</u>

Dividends of \$2.00 paid during the 2019 financial year were comprised of:

- Fully franked dividend \$0.76 paid on 24 August 2018
- Fully franked dividend \$0.42 paid on 14 December 2018
- Fully franked dividend \$0.57 paid on 28 February 2019
- Fully franked dividend \$0.25 paid on 20 May 2019

The tax rate at which paid dividends have been franked is 30% (2018: 27.5% and 30%).

Directors' meetings

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Meetings held	Meetings attended
Alexander MacLachlan	4	2
Christopher Brown	4	3
Warwick Keneally	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

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2019

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 and Warwick Keneally have agreed not to be paid any remuneration, including incentives, retirement benefits and other benefits, for the services they perform as directors of the Company. Aside from the directors, there are no other key management personnel.

Details of remuneration

Alexander MacLachlan, Christopher Brown and Warwick Keneally were not paid any remuneration for the services they perform as directors for the year ended 30 June 2019 (2018: nil).

Service agreements

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

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

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
	151	-	-	151

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 \$361,337 (2018: \$360,632) exclusive of GST.

No management fees are outstanding to the Manager at year-end (2018: 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 (2018: \$90,000), exclusive of GST.

(iii) Broking services

Effective April 2019, the Manager transferred its broking services to Evans and Partners Pty Ltd, a wholly-owned subsidiary of Evans Dixon Limited (the parent of the Manager). Execution costs incurred during the year were 10 basis points (bps) on the total sale proceeds.

This concludes the remuneration report, which has been audited.

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2019

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

Subsequent to balance date, the Company sold all four remaining investments prior to their maturity dates and intends to distribute the sales proceeds by way of capital return and dividend. Consistent with the Company's Information Memorandum, the Company intends to apply for suspension in trading on ASX following approval of the capital return with a view to a subsequent wind up.

Environmental issues

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

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 2 August 2019, the Company announced the sale of all four remaining investments prior to their maturity dates. The Company intends to distribute the sale proceeds by way of capital return and dividend and seek approval of the proposal at the next meeting of Shareholders on 20 September 2019. As outlined in the Company's Information Memorandum, the Company also intends to apply for suspension in trading on ASX following approval of the capital return, with a view to a subsequent wind up.

On 8 August 2019, the Company announced a 74% franked dividend of \$0.89 per share. The dividend is expected to be paid to Shareholders on or around 29 August 2019.

No other matter or circumstance has arisen since 30 June 2019 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.

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.

Australian Masters Yield Fund No 5 Limited

Directors' report

30 June 2019

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,

A handwritten signature in black ink, appearing to read 'A. MacLachlan', written over a horizontal line.

Mr Alex MacLachlan
Chairperson

28 August 2019

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

28 August 2019

Dear Board Members

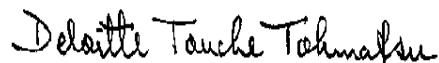
Australian Masters Yield Fund No 5 Limited

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 2019, 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 2019

	Note	2019 \$	2018 \$
Investment income			
Interest from investments in financial assets		3,113,318	3,484,292
Interest from banks		61,812	28,051
Realised gains on disposal/redemption of financial assets		244,908	-
Total investment income		<u>3,420,038</u>	<u>3,512,343</u>
Expenses			
Management and administration fees	17	(471,620)	(468,648)
Accounting and audit fees		(31,643)	(31,131)
Registry fees		(29,586)	(36,389)
Listing fees		(40,067)	(45,051)
Custody fees		(17,171)	(13,794)
Other expenses		(20,024)	(28,496)
Total expenses		<u>(610,111)</u>	<u>(623,509)</u>
Profit before income tax expense		2,809,927	2,888,834
Income tax expense	4	<u>(842,978)</u>	<u>(865,658)</u>
Profit after income tax expense for the year		1,966,949	2,023,176
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u><u>1,966,949</u></u>	<u><u>2,023,176</u></u>
		Cents	Cents
Basic earnings per share	19	194.55	200.11
Diluted earnings per share	19	194.55	200.11

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 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	9,095,237	2,055,460
Other receivables	6	9,728	3,740
Financial assets	7	16,263,158	10,543,927
Total current assets		<u>25,368,123</u>	<u>12,603,127</u>
Non-current assets			
Financial assets	8	22,365,788	48,541,360
Deferred tax assets	9	5,310	12,060
Total non-current assets		<u>22,371,098</u>	<u>48,553,420</u>
Total assets		<u>47,739,221</u>	<u>61,156,547</u>
Liabilities			
Current liabilities			
Current tax liabilities	11	287,865	250,338
Other payables	10	18,895	42,544
Total current liabilities		<u>306,760</u>	<u>292,882</u>
Total liabilities		<u>306,760</u>	<u>292,882</u>
Net assets		<u>47,432,461</u>	<u>60,863,665</u>
Equity			
Issued capital	12	46,348,021	59,724,093
Retained earnings		<u>1,084,440</u>	<u>1,139,572</u>
Total equity		<u>47,432,461</u>	<u>60,863,665</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 2019

	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
<i>Transactions with shareholders in their capacity as shareholders:</i>			
Dividends paid (note 13)	-	(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>
	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018	59,724,093	1,139,572	60,863,665
Profit after income tax expense for the year	-	1,966,949	1,966,949
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	1,966,949	1,966,949
<i>Transactions with shareholders in their capacity as shareholders:</i>			
Capital returns paid (note 12)	(13,376,072)	-	(13,376,072)
Dividends paid (note 13)	-	(2,022,081)	(2,022,081)
Balance at 30 June 2019	<u>46,348,021</u>	<u>1,084,440</u>	<u>47,432,461</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 2019

	Note	2019	2018
		\$	\$
Cash flows from operating activities			
Interest received from investments		2,953,233	3,318,500
Interest received from banks		55,586	32,661
Management fees paid		(397,470)	(396,695)
Payments to suppliers		(236,052)	(223,517)
Net tax paid		(798,701)	(764,678)
Net cash from operating activities	18	<u>1,576,596</u>	<u>1,966,271</u>
Cash flows from investing activities			
Proceeds from disposal of investments		<u>20,861,334</u>	<u>-</u>
Net cash from investing activities		<u>20,861,334</u>	<u>-</u>
Cash flows from financing activities			
Dividends paid	13	(2,022,081)	(2,011,972)
Capital returns paid	12	<u>(13,376,072)</u>	<u>-</u>
Net cash used in financing activities		<u>(15,398,153)</u>	<u>(2,011,972)</u>
Net increase/(decrease) in cash and cash equivalents		7,039,777	(45,701)
Cash and cash equivalents at the beginning of the financial year		<u>2,055,460</u>	<u>2,101,161</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>9,095,237</u></u>	<u><u>2,055,460</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 2019

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 2019.

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 issued by the Australian Accounting Standards Board (**AASB**) that are mandatorily effective for an accounting period that begins on or after 1 July 2018, and therefore relevant for the current year end.

- AASB 9 'Financial Instruments' (issued December 2014) and the relevant amending standards
- 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'

Impact of application of AASB 9 'Financial Instruments'

The Company has early adopted AASB 9 'Financial Instruments' (issued December 2009) in prior periods. The new Standard of AASB 9 'Financial Instruments' (issued December 2014) has been applied as at 1 July 2018 and its adoption has not resulted in material changes in the classification and measurement of financial assets in the Company.

Impact of application of AASB 15 'Revenue from Contracts with Customers'

AASB 15 replaces AASB 118 'Revenue', AASB 111 'Construction Contracts' and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 and its adoption has no material impact on the Company since its revenue streams, which comprise of income from banks and from investments in financial assets are excluded from the scope of AASB 15.

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.

On 2 August 2019, the Company announced the sale of its remaining investments and intention to seek shareholders' approval to distribute the sales proceeds by way of capital return and dividend, and the Directors' intention to wind up the Company. Accordingly, the financial report has been prepared on a non-going concern basis whereby assets are recorded in accordance with the requirements of applicable Australian Accounting Standards and liabilities are recorded at their contractual settlement amounts. 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 2017 to 30 June 2018.

2. Summary of significant accounting policies (continued)

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.

Investment income

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.

2. Summary of significant accounting policies (continued)

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.

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.

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.

2. Summary of significant accounting policies (continued)

(ii) Subsequent measurement

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

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.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (**ECL**) on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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.

2. Summary of significant accounting policies (continued)

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 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 adoption of this standard from 1 July 2019 is expected not to have a material impact on 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 adoption of this standard from 1 July 2019 is expected not to have a material impact on the Company.

Amendments to Reference to the Conceptual Framework in IFRS Standards

This standard is applicable to annual reporting periods beginning on or after 1 January 2020. The adoption of this standard from 1 July 2020 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 9 'Financial Instruments' 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.

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2019

4. Income tax expense

	2019	2018
	\$	\$
<i>Income tax expense</i>		
Current tax	836,228	866,800
Deferred tax	6,750	(1,142)
Aggregate income tax expense	<u>842,978</u>	<u>865,658</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>2,809,927</u>	<u>2,888,834</u>
Tax at the statutory tax rate of 30%	842,978	866,650
Other	-	(992)
Income tax expense	<u>842,978</u>	<u>865,658</u>

5. Current assets - Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank	<u>9,095,237</u>	<u>2,055,460</u>

The weighted average interest rate on cash at bank is 1.30% (2018: 1.59%) at year-end.

6. Current assets - Other receivables

	2019	2018
	\$	\$
Interest receivable	9,161	2,935
GST receivable	567	805
	<u>9,728</u>	<u>3,740</u>

7. Current assets - Financial assets

	2019	2019
	Face Value	Amortised
	\$	Cost
	\$	\$
Corporate bonds (Maturity date, Coupon rate)		
Fixed rate		
Lend Lease Finance (13-May-20, 6.00%)	<u>16,100,000</u>	<u>16,263,158</u>

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2019

7. Current assets - Financial assets (continued)

	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>

8. Non-current assets - Financial assets

	2019	2019
	Face Value	Amortised
	\$	Cost
		\$
Corporate bonds (Maturity date, Coupon rate)		
Fixed rate		
Praeco (28-Jul-20, 7.13%)	3,000,000	3,063,694
Praeco (28-Jul-20, 7.13%)	1,000,000	1,020,437
Mirvac Group Finance (18-Sep-20, 5.75%)	10,000,000	10,138,696
Sydney Airport Finance (20-Nov-20, 3.76%)	6,000,000	8,142,961
	<u>20,000,000</u>	<u>22,365,788</u>

Subsequent to balance date, the Company disposed of all its Current and Non-current corporate bonds for a total consideration of \$40,448,422 (refer to note 23). Total face value and total carrying amount at 30 June 2019 was \$36,100,000 and \$38,628,946 respectively.

	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 2019

9. Non-current assets - Deferred tax assets

	2019	2018
	\$	\$
<i>Deferred tax asset comprises:</i>		
Other	5,310	12,060
Deferred tax asset	<u>5,310</u>	<u>12,060</u>

10. Current liabilities - Other payables

	2019	2018
	\$	\$
Other payables	-	871
Accrued expenses	18,895	41,673
	<u>18,895</u>	<u>42,544</u>

11. Current tax liabilities

	2019	2018
	\$	\$
Provision for income tax	<u>287,865</u>	<u>250,338</u>

12. Equity - Issued capital

	2019	2018	2019	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,011,041</u>	<u>1,011,041</u>	<u>46,348,021</u>	<u>59,724,093</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2017	1,011,041	59,724,093
Balance	30 June 2018	1,011,041	59,724,093
Sixth Capital Return of \$10.26 per share	14 December 2018	-	(10,373,280)
Seventh Capital Return of \$2.97 per share	20 May 2019	-	(3,002,792)
Balance	30 June 2019	<u>1,011,041</u>	<u>46,348,021</u>

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2019

12. Equity - Issued capital (continued)

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 2019, financial liabilities were \$306,760 (2018: \$292,882). 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.

13. Equity - Dividends

Dividends

Dividends paid during the financial year were as follows:

	2019	2018
	\$	\$
Fully franked dividends of \$2.00 per share	2,022,081	-
60% franked dividend of \$0.69 per share	-	697,618
Fully franked dividends of \$1.30 per share	-	1,314,354
	<u>2,022,081</u>	<u>2,011,972</u>

Dividends of \$2.00 paid during the 2019 financial year were comprised of:

- Fully franked dividend \$0.76 paid on 24 August 2018
- Fully franked dividend \$0.42 paid on 14 December 2018
- Fully franked dividend \$0.57 paid on 28 February 2019
- Fully franked dividend \$0.25 paid on 20 May 2019

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

The tax rate at which paid dividends have been franked is 30% (2018: 27.5% and 30%).

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2019

13. Equity - Dividends (continued)

Franking credits

	2019 \$	2018 \$
Franking credits available at the reporting date based on a tax rate of 30%	(58,033)	9,872
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>287,865</u>	<u>250,338</u>
Franking credits available for subsequent financial years	<u><u>229,832</u></u>	<u><u>260,210</u></u>

14. 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.

Interest rate risk is managed using fixed rate financial assets. At 30 June 2019, all of the financial assets were at a fixed rate.

	2019		2018	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	1.30%	9,095,237	1.59%	2,055,460
Other receivables	-	9,728	-	3,740
Investment in financial assets	5.65%	<u>38,623,529</u>	5.75%	<u>63,020,499</u>
Net exposure to cash flow interest rate risk		<u><u>47,728,494</u></u>		<u><u>65,079,699</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.

The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2019	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Cash at bank	1	<u>90,952</u>	<u>90,952</u>	(1)	<u>(90,952)</u>	<u>(90,952)</u>

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2019

14. Financial instruments (continued)

2018	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Cash at bank	1	20,555	20,555	(1)	(20,555)	(20,555)
Financial assets	1	30,000	30,000	(1)	(30,000)	(30,000)
		<u>50,555</u>	<u>50,555</u>		<u>(50,555)</u>	<u>(50,555)</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 2019.

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.

The Company's exposure to liquidity risk is minimal. The Company had no borrowings at 30 June 2019, 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 \$
2019				
Non-derivatives				
Cash and cash equivalents	9,095,237	-	-	9,095,237
Other receivables	9,728	-	-	9,728
Investment in financial assets	18,151,903	20,471,626	-	38,623,529
Total non-derivatives	<u>27,256,868</u>	<u>20,471,626</u>	<u>-</u>	<u>47,728,494</u>
	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>-</u>	<u>65,079,699</u>

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2019

15. 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).

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.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2019				
<i>Assets</i>				
Corporate bonds *	-	40,317,951	-	40,317,951
Total assets	-	40,317,951	-	40,317,951

* The amortised cost carrying value at 30 June 2019 is \$38,628,946 (refer to notes 7 & 8).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2018				
<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 7 & 8).

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.

16. Key management personnel

Directors

The key management personnel of the Company comprise the Non-Executive Directors for the years ended 30 June 2019 and 30 June 2018.

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.

17. Related party transactions

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

Australian Masters Yield Fund No 5 Limited
Notes to the financial statements
30 June 2019

17. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 16 and the remuneration report included in the directors' report.

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 \$361,337 (2018: \$360,632) exclusive of GST.

No management fees are outstanding to the Manager at the year-end (2018: 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 (2018: \$90,000), exclusive of GST.

Broking services

Effective from April 2019, the Manager transferred its broking services to Evans and Partners Pty Ltd, a wholly-owned subsidiary of Evans Dixon Limited (the parent of the Manager). The service includes valuing, transacting and holding the portfolio in a trading account on behalf of the Company. Execution costs incurred during the year were 10 basis points (bps) on the total sale proceeds.

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

	2019	2018
	\$	\$
Profit after income tax expense for the year	1,966,949	2,023,176
Adjustments for:		
Accrued interest on financial assets	(160,085)	(165,792)
Gain on disposal of financial assets	(244,908)	-
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	(5,988)	5,063
Decrease/(increase) in deferred tax assets	6,750	(1,142)
(Decrease)/increase in other payables and accruals	(23,649)	2,844
Increase in income taxes payable	37,527	102,122
Net cash from operating activities	<u>1,576,596</u>	<u>1,966,271</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 2019

19. Earnings per share

	2019	2018
	\$	\$
Profit after income tax	<u>1,966,949</u>	<u>2,023,176</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	194.55	200.11
Diluted earnings per share	194.55	200.11

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

20. 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:

	2019	2018
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	<u>28,100</u>	<u>27,800</u>

21. Commitments

The Company has no capital commitments at the balance date.

22. Contingent liabilities

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

23. Events after the reporting period

On 2 August 2019, the Company announced the sale of all four remaining investments prior to their maturity dates. The Company intends to distribute the sale proceeds by way of capital return and dividend and seek approval of the proposal at the next meeting of Shareholders on 20 September 2019. As outlined in the Company's Information Memorandum, the Company also intends to apply for suspension in trading on ASX following approval of the capital return, with a view to a subsequent wind up.

On 8 August 2019, the Company announced a 74% franked dividend of \$0.89 per share. The dividend is expected to be paid to Shareholders on or around 29 August 2019.

No other matter or circumstance has arisen since 30 June 2019 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.

24. 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 2019

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 2019 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 2019

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 2019, 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 2019 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 7 and 8, the Company's financial assets comprise of investments in fixed rate corporate bonds held at amortised cost totalling \$38.6 million as at 30 June 2019.</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, 7 and 8 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 2019, 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 as they apply on a non-going concern basis 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. As disclosed in Note 2, the financial report has been prepared on the non-going concern basis because the directors intend to wind up the Company.

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 non-going concern basis of accounting. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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

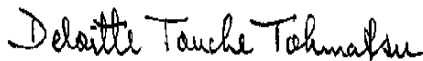
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 15 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Australian Masters Yield Fund No 5 Limited for the year ended 30 June 2019, 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 2019

Australian Masters Yield Fund No 5 Limited
Shareholder information
30 June 2019

The shareholder information set out below was applicable as at 31 July 2019.

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	1,525
1,001 to 5,000	195
10,001 to 100,000	1
	<u>1,721</u>
Holding less than a marketable parcel	<u>3</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
INVESTMENT MANAGEMENT CO PTY LTD <VANTAGE INVESTMENT FUND A/C>	19,057	1.88
MR JIMMY WAI HUNG PONG	4,991	0.49
R J CLARKE SUPER PTY LTD <R J CLARKE SUPER FUND A/C>	4,665	0.46
MR KIMBLE MOSTYN LLOYD	4,500	0.45
INVIA CUSTODIAN PTY LIMITED <THE DOUMANY FAMILY A/C>	4,292	0.42
ROSENSHUL SMSF INVESTMENTS PTY LTD <ROSENSHUL S/F A/C>	4,100	0.41
VANTAGE CAPITAL MANAGEMENT PTY LTD	3,950	0.39
P & J LEITINGER SUPER PTY LTD <THE P & J LEITINGER S/F A/C>	3,395	0.34
INVIA CUSTODIAN PTY LIMITED <THE DOUMANY SUPER FUND A/C>	3,132	0.31
MR DANIEL GEZA BEDO & MRS CATHERINE BEDO <THE BEDO SUPER FUND A/C>	3,100	0.31
AUCHENBLAE PTY LTD <J & M SUPER FUND A/C>	3,000	0.30
MAYACE PTY LTD <PETTINGELL & GILLAM S/F A/C>	3,000	0.30
HIGGINS SUPER PTY LTD <HIGGINS FAMILY S/FUND A/C>	2,972	0.29
GILLINGHAM SUPER PTY LTD <J GILLINGHAM S/F A/C>	2,900	0.29
MR NICHOLAS ANTHONY JACQUES & MRS VIRGINIA LOUISE JACQUES <THE N & V JACQUES S/F A/C>	2,900	0.29
SUSSANAH INVESTMENTS PTY LTD <SUSSANAH INVESTMENTS SF A/C>	2,700	0.27
A M SAINSBURY PTY LTD <D & A SAINSBURY S/FUND A/C>	2,600	0.26
PA&JP EVANS PTY LTD <EVANS SUPER FUND A/C>	2,600	0.26
MARK KELLY INSURANCE AND FINANCIAL SERVICES PTY LTD <MJ & MA KELLY SUPER FUND A/C>	2,527	0.25
MR DAVID LEWIS SOUTHWOOD & MRS GLEN SOUTHWOOD <SOUTHWOOD SUPER FUND A/C>	2,500	0.25
R INVESTMENTS PTY LTD <R SUPERANNUATION FUND A/C>	2,500	0.25
EDIBEACH INVESTMENT PTY LTD <COOK FAMILY SUPER FUND A/C>	2,500	0.25
TAGAR PTY LTD <RICHARDSON S/F A/C>	2,500	0.25
CHRIJOH PTY LIMITED <JJ & C SUPERANNUATION A/C>	2,500	0.25
	<u>92,881</u>	<u>9.22</u>

Australian Masters Yield Fund No 5 Limited
Shareholder information
30 June 2019

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

There are no substantial holders in the Company.

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 2019

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 2019

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 Warwick Keneally
(Non-Executive Director)

Mr Phillip Lois
(Non-Executive Director)

Company Secretary

Ms Hannah Chan

Registered Office

Level 15
100 Pacific Highway
North Sydney NSW 2060

Telephone	Facsimile
1300 454 801	1300 457 349

Principal Office

Level 15
100 Pacific Highway
North Sydney NSW 2060

Telephone	Facsimile
1300 454 801	1300 457 349

Website: www.amyf.com.au

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

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Telephone	Facsimile
(02) 9322 7000	(02) 9322 7001

Website: www.deloitte.com.au

Bankers

Macquarie Bank
ANZ Bank



ANNUAL REPORT **FOR THE YEAR ENDED 30 JUNE 2019**

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