

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

APPENDIX 4D – HALF-YEAR REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

(The previous corresponding period is the half-year ended 31 December 2014)

Results for announcement to the market

	Half-year to 31 December 2015	Half-year to 31 December 2014	Change from previous period	Change from previous period (%)
Revenue from ordinary activities	\$1,056,641	\$1,375,100	Down \$318,459	Down 23.16%
Profit from ordinary activities before tax attributable to shareholders	\$858,496	\$1,369,098	Down \$510,602	Down 37.29%
Profit from ordinary activities after tax attributable to shareholders	\$600,947	\$958,369	Down \$357,422	Down 37.29%
Net profit for the period attributable to shareholders	\$600,947	\$958,369	Down \$357,422	Down 37.29%
Basic earnings per share	\$1.41	\$2.25	Down \$0.84	Down 37.33%
Diluted earnings per share	\$1.41	\$2.25	Down \$0.84	Down 37.33%

Dividends and capital returns

During the half-year, the Company paid fully franked dividends of \$0.64 per share on 18 August 2015 and \$0.73 per share on 4 December 2015. The total amount of the dividends paid was \$272,065 and \$310,324 respectively.

Explanation of operating activities

Revenue from ordinary activities of the Company for the half-year consists entirely of the Company's investment activities and is made up as follows:

	31 December 2015	31 December 2014
Interest from investments in financial assets	\$1,036,878	\$1,296,334
Interest from banks	\$19,763	\$76,022
Other income	\$0	\$2,744
Revenue from operating activities	\$1,056,641	\$1,375,100

	31 Dec 2015 \$/share	30 Jun 2015 \$/share
Net tangible assets per share <i>(After adjustment for tax)</i>	80.68	80.64

Results for announcement to the market

(continued)

Significant features of operating performance

The Company is currently invested in Australian fixed and floating income securities, with a total face value of \$32.9 million, there are no maturities within the next 12 months of the balance date.

The profit of the Company for the half-year after providing for income tax amounted to \$600,947 (2014: \$958,369). The net asset value per share at 31 December 2015 was \$80.68 (30 June 2015: \$80.64). The decline in the Company's profit was primarily driven by the reduction of the income producing assets of the Company as financial investments matured during prior periods.

The weighted average number of shares for the half-year was 425,102. The basic and diluted earnings per share after tax was \$1.41 (31 December 2014: \$2.25).

Events subsequent to reporting date

On 28 January 2016, the Company announced a fully franked dividend payment of \$0.69 per share which was paid to shareholders on 15 February 2016.

There has not been any other event of a material and unusual nature likely to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Other information

This report is based on the Half-Year Financial Report which has been subject to review by an independent auditor. The independent auditor's review report forms part of the Half-Year Financial Report.

All documents comprise the information required by Listing Rule 4.2A.3.

Attachments forming part of Appendix 4D

Attachment 1 – Half-Year Financial Report, including Directors' report.



Hannah Chan
Company Secretary
23 February 2016

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

HALF-YEAR FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2015

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

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AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The directors present their report together with the condensed financial report of Australian Masters Yield Fund No 2 Limited ("the Company") for the half-year ended 31 December 2015.

Directors

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

Mr Alexander Gen MacLachlan – Non Executive Chairman (appointed as Chairman on 25 November 2015)

Mr Daryl Albert Dixon – Non Executive Director

Mr Christopher Matthew Brown – Non Executive Director

Mr Maximilian Sean Walsh – Non Executive Chairman (retired on 25 November 2015)

Mr Alan Cochrane Dixon – Non Executive Director (retired on 25 November 2015)

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

Principal Activities

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

Results and Review of Operations

The profit of the Company for the half-year after providing for income tax amounted to \$600,947 (2014: \$958,369). The net asset value of the Company at 31 December 2015 was \$34,298,524 (30 June 2015: \$34,279,966). The net asset value per share at 31 December 2015 was \$80.68 (30 June 2015: \$80.64). The decline in the Company's profit was primarily driven by the reduction of the income producing assets of the Company as financial investments matured during prior periods.

The weighted average number of shares for the half-year was 425,102. The basic and diluted earnings per share after tax was \$1.41 (31 December 2014: \$2.25).

Dividends Paid or Recommended

During the half-year, the Company paid fully franked dividends of \$0.64 per share on 18 August 2015 and \$0.73 per share on 4 December 2015. The total amount of the dividends paid was \$272,065 and \$310,324 respectively.

After Balance Date Events

On 28 January 2016, the Company announced a fully franked dividend payment of \$0.69 per share which was paid to shareholders on 15 February 2016.

There has not been any other events of a material and unusual nature likely, in the opinion of the directors, to significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company, in future financial years.

Significant Changes in the State of Affairs

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

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Auditor's Independence Declaration

The auditor's independence declaration under s.307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2015.

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



Mr Alexander Gen MacLachlan

Non Executive Chairman

Dated this 23rd day of February 2016

The Board of Directors
Australian Masters Yield Fund No 2 Limited
Level 15
100 Pacific Highway
NORTH SYDNEY NSW 2060

23 February 2016

Dear Board Members

Australian Masters Yield Fund No 2 Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Masters Yield Fund No 2 Limited.

As lead audit partner for the review of the financial statements of Australian Masters Yield Fund No 2 Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		31 December 2015	31 December 2014
	Notes	\$	\$
Revenue	2	1,056,641	1,375,100
Realised gain on disposal/redemption of financial assets		-	220,106
Management and administration fees	8	(149,309)	(183,202)
Accounting and audit fees		(12,146)	(11,735)
Compliance and listing fees		(6,093)	(10,833)
Other expenses		(30,597)	(20,338)
Profit before income tax		858,496	1,369,098
Income tax expense	3	(257,549)	(410,729)
Profit for the period		600,947	958,369
Other comprehensive income		-	-
Total other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		600,947	958,369
Earnings per share			
Basic earnings per share		1.41	2.25
Diluted earnings per share		1.41	2.25

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

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED
ABN 48 144 883 509
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	31 December 2015 \$	30 June 2015 \$
Assets			
<i>Current</i>			
Cash and cash equivalents		1,701,553	1,889,836
Other receivables		4,485	5,145
Prepayments		104,309	-
Total Current Assets		1,810,347	1,894,981
<i>Non-current</i>			
Financial assets	5	32,742,303	32,606,706
Deferred tax assets	6	2,865	5,550
Total Non-current Assets		32,745,168	32,612,256
Total Assets		34,555,515	34,507,237
Liabilities			
<i>Current</i>			
Other payables		150,934	121,625
Current tax liabilities		106,057	105,646
Total Current Liabilities		256,991	227,271
Total Liabilities		256,991	227,271
Net Assets		34,298,524	34,279,966
Equity			
Issued capital	7	33,467,545	33,467,545
Retained earnings		830,979	812,421
Total Equity		34,298,524	34,279,966

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

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	Issued capital \$	Retained earnings \$	Total \$
Balance at				
1 July 2014		41,961,083	830,866	42,791,949
Profit for the period		-	958,369	958,369
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	958,369	958,369
Dividends paid	4	-	(782,188)	(782,188)
Capital return paid	7	(4,378,551)	-	(4,378,551)
Balance at				
31 December 2014		37,582,532	1,007,047	38,589,579
Balance at				
1 July 2015		33,467,545	812,421	34,279,966
Profit for the period		-	600,947	600,947
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	600,947	600,947
Dividends paid	4	-	(582,389)	(582,389)
Balance at				
31 December 2015		33,467,545	830,979	34,298,524

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

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

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CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		31 December 2015	31 December 2014
	Notes	\$	\$
Cash flows from operating activities			
Receipts from ATO		16,714	24,666
Interest received from bank		20,281	66,192
Interest received from investments		901,281	1,107,400
Management fees paid		(223,883)	(278,263)
Payments to suppliers		(65,834)	(77,824)
Net tax paid		(254,453)	(297,733)
Net cash flows provided by operating activities		394,106	544,438
Cash flows from investing activities			
Proceeds from disposal/redemption of investments		-	7,000,000
Net cash flows provided by investing activities		-	7,000,000
Cash flows from financing activities			
Dividends paid	4	(582,389)	(782,188)
Capital returns paid	7	-	(4,378,551)
Net cash flows (used in) financing activities		(582,389)	(5,160,739)
Net (decrease)/increase in cash and cash equivalents		(188,283)	2,383,699
Cash and cash equivalents			
at beginning of the period		1,889,836	3,809,958
Cash and cash equivalents			
at end of the period		1,701,553	6,193,657

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

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. Statement of Significant Accounting Policies

a. Basis of Preparation

These general purpose condensed financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with AASB 134: Interim Financial Reporting ensures that the financial statements and notes also comply with IAS 34: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Australian Masters Yield Fund No 2 Limited ("the Company"). It is therefore recommended that this interim financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2015.

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

The condensed financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are presented in Australian dollars, unless otherwise noted.

The interim financial report was authorised for issue on 23 February 2016 by the board of directors.

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

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

No new or revised Standards and Interpretations effective for the period under review are considered to have any impact on the disclosures or the amounts recognised in the financial statements.

b. Operating Segments

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

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

2. Revenue

	31 December 2015	31 December 2014
	\$	\$
Interest from investments in financial assets	1,036,878	1,296,334
Interest from banks	19,763	76,022
Other income	-	2,744
	1,056,641	1,375,100

3. Income Tax Expense

The components of tax expense comprise:

Current tax	254,864	372,574
Deferred tax	2,685	38,155
	257,549	410,729

4. Dividends

Dividends paid

Fully franked dividend of \$0.94 per share paid on 18 August 2014	-	399,596
Fully franked dividend of \$0.90 per share paid on 5 December 2014	-	382,592
Fully franked dividend of \$0.64 per share paid on 18 August 2015	272,065	-
Fully franked dividend of \$0.73 per share paid on 4 December 2015	310,324	-
	582,389	782,188
Total dividends per share for the period	1.37	1.84

The tax rate at which paid dividends have been franked is 30% (2014: 30%).

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

5. Financial Assets

	31 December 2015	30 June 2015
	\$	\$
Non-current		
Investments in financial assets - at amortised cost	32,742,303	32,606,706
	32,742,303	32,606,706

6. Deferred Tax Assets

Non-current

Deferred tax assets comprise:

Others	2,865	5,550
	2,865	5,550

7. Issued Capital

(a) Issued Capital

Balance at the beginning of the period	33,467,545	41,961,083
First Capital Return of \$10.30 per share paid 05 December 2014	-	(4,378,551)
Second Capital Return of \$9.68 per share paid 12 May 2015	-	(4,114,987)
Balance at end of the period	33,467,545	33,467,545

(b) Movement in ordinary shares

	No.	No.
Balance at beginning of the period	425,102	425,102
Balance at end of the period	425,102	425,102

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

8. Related Party Transactions

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

Mr Alexander Gen MacLachlan – Non Executive Chairman (appointed as Chairman on 25 November 2015)

Mr Daryl Albert Dixon – Non Executive Director

Mr Christopher Matthew Brown – Non Executive Director

Mr Maximilian Sean Walsh – Non Executive Chairman (retired on 25 November 2015)

Mr Alan Cochrane Dixon – Non Executive Director (retired on 25 November 2015)

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

Walsh & Company Asset Management Pty Limited

Mr Alexander MacLachlan is a director of the Company and director of the Manager, Walsh & Company Asset Management Pty Limited (“the Manager”).

The Manager is entitled to receive a management fee of 0.59% (excluding GST) per annum of the Value of the Portfolio. During the half-year ended 31 December 2015, Walsh & Company Asset Management Pty Limited was paid in advance an annual management fee of \$223,883 (2014: \$278,263), inclusive of GST. Of the total management fee, \$104,309 is included in prepayments at 31 December 2015 (2014: \$129,645).

Australian Fund Accounting Services Pty Limited

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

Total fund administration fees paid or payable for the half-year ended 31 December 2015 were \$45,000 (2014: \$53,557), exclusive of GST.

9. Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities approximates their carrying amounts at the reporting date.

10. Events Subsequent to Reporting Date

On 28 January 2016, the Company announced a fully franked dividend payment of \$0.69 per share which was paid to shareholders on 15 February 2016.

There has not been any other events of a material and unusual nature likely, in the opinion of the directors, to significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company, in future financial years.

11. Contingent Liabilities and Capital Commitments

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

AUSTRALIAN MASTERS YIELD FUND NO 2 LIMITED

ABN 48 144 883 509

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The directors of the Company declare that:

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

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

On behalf of the Directors

Director



Mr Alexander Gen MacLachlan

23rd February 2016

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

We have reviewed the accompanying half-year financial report of Australian Masters Yield Fund No 2 Limited, which comprises the condensed statement of financial position as at 31 December 2015, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 4 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Australian Masters Yield Fund No 2 Limited's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Masters Yield Fund No 2 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Masters Yield Fund No 2 Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Masters Yield Fund No 2 Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Weng W Ching

Partner

Chartered Accountants

Sydney, 23 February 2016