



AUSTRALIAN MASTERS  
CORPORATE BOND

**FUND No 5 LIMITED**

ABN 57 139 247 564

# 2015

## ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

ANNUAL REPORT  
FOR THE YEAR ENDED JUNE 2015

# DIRECTORY

The Company's shares are quoted on the official list of the Australian Securities Exchange Limited (**ASX**).  
Home Exchange is Sydney.  
ASX Code is AKY.

## DIRECTORS

**Mr Maximilian Walsh** (Non-Executive Chairman)  
**Mr Daryl Dixon** (Non-Executive Director)  
**Mr Alan Dixon** (Non-Executive Director)  
**Mr Christopher Brown** (Non-Executive Director)  
**Mr Alexander MacLachlan** (Non-Executive Director)

## COMPANY SECRETARY

Ms Hannah Chan

## REGISTERED OFFICE

Level 15, 100 Pacific Highway  
North Sydney NSW 2060

**T** 1300 454 801  
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## PRINCIPAL OFFICE

Level 15, 100 Pacific Highway  
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[www.corporatebondfund.com.au](http://www.corporatebondfund.com.au)

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## SOLICITOR

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## BANKS

Macquarie Bank  
ANZ Bank

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## CHAIRMAN'S LETTER

### FOR THE YEAR ENDED 30 JUNE 2015

Welcome to the Annual Report for Australian Masters Corporate Bond Fund No 5 Limited ('AMCBF5' or the 'Company') for the financial year ended 30 June 2015 (FY15).

#### OVERVIEW & SUMMARY OF RESULTS

At 30 June 2015, the Company was invested in 3 different bonds issued by Australian and multinational issuers, with a face value totalling \$13.0 million.

The profit of the Company after providing for income tax amounted to \$1,516,863 (2014: \$2,777,963). The net asset value per share of the Company at 30 June 2015 was \$19.58 (2014: \$72.92) and earnings per share (EPS) were \$1.94 (2014: \$3.55).

The Company paid three fully franked dividends of \$0.63 per share in August 2014, \$0.99 per share in November 2014, \$0.36 per share in February 2015 and an unfranked dividend of \$0.35 per share in May 2015. The Company also announced an unfranked dividend of \$0.20 per share on 31 July 2015 that will be paid in August 2015.

Over the year, the Leighton Finance July 2014, Dexus Finance July 2014, AMP Capital October 2014, Sydney Airport Finance November 2014, CFS Retail Property Trust December 2014, Stockland Property Management February 2015 and the Mirvac Group March 2015 bonds matured. As part of the ongoing capital management strategy, AMCBF5 paid a capital return to shareholders of \$15.64 per share in November 2014, \$10.84 per share in February 2015 and \$26.47 in May 2017 and will continue to pay capital returns when deemed appropriate. As at 30 June 2015, the Company has returned \$79.32 per share of the capital to shareholders.

The table below outlines the holdings of the Company at 30 June 2015. All income securities continue to perform in line with expectations.

ISSUER	MATURITY	FACE VALUE
AUSTRALIA PACIFIC AIRPORTS	14-Dec-15	\$4,510,000
ENVESTRA VICTORIA PTY LTD	14-Oct-15	\$2,500,000
SANTOS FINANCE	23-Sep-15	\$6,000,000

The final bond in the portfolio is scheduled to mature in December 2015, after which it is anticipated the Company will be wound up, with all capital returned to shareholders.

#### GLOBAL MARKETS SUMMARY

Financial markets during the year were volatile amid divergent monetary policies between the US and other developed countries. While the US ended its asset purchase program in October, Europe, Japan and China, among others, embarked upon fresh accommodative monetary policies to stabilise their faltering economic growth. Oil prices declined to multi-year level lows, a boon for recovering developed economies but adversely affecting export reliant developing economies.

In the US, growth gathered pace as economic activity improved and unemployment continued to decline. The Federal Reserve is widely expected to take the next step in monetary policy tightening before the end of this year, with analysts speculating an interest rate hike as early as September.

Europe showed signs of a sustained recovery towards the end of the fiscal year, aided by an aggressive quantitative easing program introduced by the European Central Bank (ECB) in January 2015. The financial debt woes in Greece, however, remained a major concern and dominated headlines in June, threatening to push the eurozone back into a crisis.

Emerging markets ended the year weak as the possibility of interest rate hikes in the US and geopolitical crisis in Greece and Russia, kept investors jittery. A rout in commodity prices and a surge in US dollar further added to concerns.

# **AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

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## **CHAIRMAN'S LETTER**

**FOR THE YEAR ENDED 30 JUNE 2015**

### **DOMESTIC MARKET SUMMARY**

After leaving the domestic rate on hold for the longest period in Australian history, the Reserve Bank of Australia (RBA) cut the cash rate twice in 2015, bringing it down to a record low of 2.0%. The RBA followed many other central banks in using accommodative monetary policy against a backdrop of stunted domestic growth, deflationary pressures, high unemployment and slower-than-expected transition away from mining investment dependency.

The AUD depreciated sharply against the USD during FY15, as the commodity markets softened due to weak demand in China while the resurgent US economy strengthened the USD.

Australian corporate bonds performed well through most part of the year, as record low cash rate and expectations of further cuts kept demand for bonds higher. The latest quarter, though, saw a sharp selloff in Australian bonds, as anticipation of an interest rate hike in the US and the risk of a Greece default took hold of market sentiments, pushing yields higher. The Australian credit spread also ended the fiscal year wider.

The Bloomberg Australian Corporate Bond BBB five-year composite yield dropped below 4% in the 2nd quarter of 2015, before partially rising on the back of Greek debt concerns. Overall the yield declined during the year, closing below 4.5%.



**Mr Maximilian Sean Walsh**  
**Chairman**

14 August 2015

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Unless disclosed below, all the best practice recommendations as set out in the 3rd Edition of the ASX Corporate Governance Principles and Recommendations have been applied for the entire financial year ended 30 June 2015.

### 1. Lay Solid Foundations for Management and Oversight

#### Board Roles and Responsibilities

The Board is responsible for the overall operation, strategic direction, leadership and integrity of Australian Masters Corporate Bond Fund No 5 Limited (**Company**) and in particular, is responsible for the Company's growth and profitability. In meeting its responsibilities, the Board shall undertake the following functions:

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

The responsibility for the operation and administration of the Company is delegated, by the Board, to the Manager as set out in the Board Policy and the Management Agreement. The Board ensures that the Manager is appropriately qualified and experienced to discharge its responsibilities. The Manager will be responsible for implementing the Company's strategic objectives and operating within the risk appetite as set out within the Investment Guidelines.

#### 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 security holders 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 security holders with all the relevant material information in its possession to allow security holders 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 of the Company
- details of any current or past directorships held by the candidate

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

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

### 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:

- 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 value add benefits of female representation on the board. However, the Board is of the view that given the fixed life of the Company, the relatively static nature of the Company's portfolio held, 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. The Company 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 & Accounting
- Funds Management
- Risk Based Auditing & 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. The names of the directors of the Company are:

Mr Maximilian Sean Walsh (Non-Executive Chairman)

Mr Daryl Albert Dixon (Non-Executive Director)

Mr Alan Cochrane Dixon (Non-Executive Director)

Mr Christopher Matthew Brown (Non-Executive Director)

Mr Alexander Gen MacLachlan (Non-Executive Director)

The Company has no executives or executive directors. All directors are associated with the Manager, Walsh & Company Asset Management Pty Limited (**Manager**), however the Board is of the view that given the relatively static nature of the Company's portfolio to be held and the rigid investment strategy and the size of the Company, it is not necessary for the Company to have any independent directors.

# **AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

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## **CORPORATE GOVERNANCE STATEMENT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

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

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

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

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with the requirements of the ASX Listing Rules and the *Corporations Act 2001*. In accordance with the corporate governance policy, directors are entitled to seek independent advice at the expense of the Company. Written approval must be obtained from the chair 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 Chairman, 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 2015 in accordance with these processes.

#### **Induction and Ongoing Professional Development**

On appointment, the directors are individually briefed by the Fund 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, and their 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 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. A copy of the code of conduct is available on the Company website under the security holder information section.

#### **Share Trading Policy**

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



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Directors are required to give prior notice to the chairman 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 the 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, which 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 chairman, 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 Security Holders**

**Security holder Communication**

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

- 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 security holder 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 security holders on the conduct of the audit and the preparation and content of the audit report.

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## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

### Rights of Security holders

The Board of Directors has developed a strategy within its Continuous Disclosure Policy to ensure that security holders 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 security holders via electronic methods. Each security holder is also provided online access to the Registry to allow them to receive communication from, and send communication to, the Company and the Registry. In addition, the Company publishes regular security holder communications, such as half-yearly and annual reports and provides security holders with an opportunity to access such reports and other releases electronically.

The Board encourages full participation of security holders at the Company's Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy. Security holders 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. The external auditor will also be invited to attend the Annual General Meeting of security holders 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 operations. It has not established a separate committee to deal with these matters as the directors consider the size and nature of the Company and 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.

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes, the Company has adopted a set of Risk Management Guidelines. The Board will annually review the Company's Risk Management Guideline to satisfy itself that the Risk Management framework continues to be sound. The last review took place on 16 June 2015.

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

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

The Manager provides the declarations required by Section 295A of the *Corporations Act 2001* for all financial periods and confirms that in its opinion the financial records of the Company have been properly maintained and that the financial statements and accompanying notes comply with the Accounting Standards and give 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.

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**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 without the prior approval from the Company in a general meeting. Directors will seek approval from time to time as deemed appropriate.

Under the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. However, Maximilian Walsh, Daryl Dixon, Alan Dixon, Christopher Brown and Alexander MacLachlan have agreed not to be paid any remuneration for the services they perform as directors. The Company does not intend to remunerate its directors through an equity based remuneration scheme.

Remuneration of the directors during the year ended 30 June 2015 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 security holder 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.corporatebondfund.com.au](http://www.corporatebondfund.com.au).

# **AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

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## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

The directors present their report, together with the financial statements of, Australian Masters Corporate Bond Fund No 5 Limited (**Company**) for the year ended 30 June 2015.

#### **Directors**

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

Mr Maximilian Sean Walsh – Non-Executive Chairman

Mr Daryl Albert Dixon – Non-Executive Director

Mr Alan Cochrane Dixon – Non-Executive Director

Mr Christopher Matthew Brown – Non-Executive Director

Mr Alexander Gen MacLachlan – Non-Executive Director

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

#### **Company Secretary**

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

#### **Principal Activities and Significant Changes in Nature of Activities**

The principal activity of the Company during the financial year was investing in Australian corporate bonds. 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 Company has fully invested in a portfolio of investment grade Australian corporate bonds with a face value of \$13 million.

The profit of the Company for the year ended 30 June 2015, after providing for income tax, declined to \$1,516,863 (2014: \$2,777,963). The decline in the Company's profit was primarily driven by the reduction of the income producing assets of the Company as proceeds from financial investments, which matured during the period and were paid out as capital returns to investors.

As approved by shareholders at the General Meetings held on 22 November 2013 and 13 November 2014, the Company made its Fourth Capital Return of \$15.64 per share on 20 November 2014, Fifth Capital Return of \$10.84 per share on 12 February 2015 and Sixth Capital Return of \$26.47 per share on 12 May 2015. During the year the Company has distributed, or provided for, fully franked dividends of \$1.98 per share, and an unfranked dividend of \$0.35 per share and the net asset value per share was \$19.58 at 30 June 2015 (2014: \$72.92).

The weighted average number of ordinary shares for the year was 782,465. The basic and diluted earnings per share after tax was \$1.94 compared to \$3.55 for the previous year.

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

#### **Dividends Paid or Recommended**

During the year, the Company paid three fully franked dividends of \$0.63 per share on 18 August 2014, \$0.99 per share on 20 November 2014, \$0.36 per share on 12 February 2015 and an unfranked dividend of \$0.35 per share on 12 May 2015. The total amount of dividends paid during the financial year was \$1,823,143 (\$2.33 per share).

#### **Significant Changes in State of Affairs**

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

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**After Balance Date Events**

On 29 July 2015, the Company announced an unfranked dividend of \$0.20 per share. The dividend will be paid to shareholders on 18 August 2015.

There has not been any other event 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.

**Future Developments, Prospects and Business Strategies**

The Company will continue to hold all existing investments until maturity. The Company may seek shareholder approval from time to time to return capital derived from the maturity of its investments to shareholders.

**Environmental Issues**

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

**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 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 Company**

No person has applied for leave of 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.

**Directors' Meetings**

Attendance of individual directors at board meetings held during the year ended 30 June 2015 was as follows:

	Meetings Held	Meetings Attend
Maximilian Walsh	4	4
Daryl Dixon	4	4
Alan Dixon	4	4
Christopher Brown	4	4
Alexander MacLachlan	4	4

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**Maximilian Sean Walsh** AM, BEc (USyd)

Non-Executive Chairman

Max is regarded as one of Australia's leading economists and business journalists. He has specialised experience in the areas of business, economics and politics in a journalistic career spanning nearly 50 years.

He has been editor and managing editor of The Australian Financial Review and Editor-in-Chief of The Bulletin. He also served on the board of Northern Star TV (predecessor to Channel Ten). Further, Max serves as Chairman for the Australian Masters Yield Fund 1 to 3 Limited and the Australian Masters Corporate Bond Fund Series, and serves as Non-Executive Chairman of Global Resource Masters Fund Limited. Max also serves as a director of Australian Governance Masters Index Fund Limited and Asian Masters Fund Limited.

- Max was appointed as non-executive director and chairman on 3 September 2009.
- He directly holds 1 and beneficially holds 8,000 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as a non-executive director or a director of the responsible entity of the following Australian listed public entities:
  - Asian Masters Fund Limited (since 2007)
  - Australian Governance Masters Index Fund Limited (since 2009)
  - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
  - Australian Masters Yield Fund No 1 Limited (since 2010)
  - Australian Masters Yield Fund No 2 Limited (since 2010)
  - Australian Masters Yield Fund No 3 Limited (since 2011)
  - Global Resource Masters Fund Limited (since 2008)
  - US Masters Residential Property Fund (since 2008 until 22 June 2015)
  - US Select Private Opportunities Fund (since 2008 until 23 April 2014).

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**Daryl Albert Dixon** MA (Hons) (UQ), BA (Hons) (Cambridge)

Non-Executive Director

Daryl is a graduate in economics of Cambridge and Queensland Universities and the founder of Dixon Advisory. Daryl has extensive experience in the areas of taxation, retirement incomes and social welfare policy. He is known in Australia as a leading financial expert, particularly in the area of superannuation.

Daryl has special expertise in personal and self managed super fund strategies, as well as extensive experience as a direct share investor in his own right.

Daryl is a director of the Australian Masters Corporate Bond Fund (AMCBF) Series and the Australian Masters Yield Fund 1 to 3 Limited. Daryl has worked previously for the International Monetary Fund, the Federal Treasury, Department of Finance and the Social Welfare Policy Secretariat. Daryl was also a member of the Fraser Government's Occupational Superannuation Task Force.

- Daryl was appointed as non-executive director on 3 September 2009.
- He beneficially holds 1,000 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:
  - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
  - Australian Masters Yield Fund No 1 Limited (since 2010)
  - Australian Masters Yield Fund No 2 Limited (since 2010)
  - Australian Masters Yield Fund No 3 Limited (since 2011)
  - US Masters Residential Property Fund (since 2002 until 22 June 2015)
  - US Select Private Opportunities Fund (since 2002 until 23 April 2014).

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**Alan Cochrane Dixon** BCom (ANU), CA

Non-Executive Director

Alan has been providing financial advisory services to corporations, institutions and individuals for more than 18 years. Until December 2000, he worked for various investment banks, including ABN AMRO (where he was an Associate Director in Mergers and Acquisitions and Equity Capital Markets) and Ord Minnett Corporate Finance. Since January 2001, he operated as a Group Managing Director of the Dixon Advisory Group. Dixon Advisory provides a complete suite of financial services, employs more than 300 people and has close to \$5 billion of funds under administration across over 4,500 self managed super funds.

During 2012, Alan re-located to New York and is now the Managing Director and CEO, Dixon Advisory USA. His primary executive responsibility is the day-to-day management of US Masters Residential Property Fund.

Alan currently serves as a director of the AMCBF Series and the AMYF Series 1 to 3.

Alan has a Bachelor of Commerce from the Australian National University and is a Member of the Institute of Chartered Accountants in Australia. He is also a SPAA Accredited SMSF Specialist Advisor™.

- Alan was appointed as non-executive director on 3 September 2009.
- He beneficially holds 2,100 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:
  - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
  - Australian Masters Yield Fund No 1 Limited (since 2010)
  - Australian Masters Yield Fund No 2 Limited (since 2010)
  - Australian Masters Yield Fund No 3 Limited (since 2011)
  - US Masters Residential Property Fund (since 2002 until 22 June 2015)
  - US Select Private Opportunities Fund (since 2002 until 23 April 2014).



# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2015

**Christopher Matthew Brown** BChem Eng (Hons) (USyd), BCom (USyd)

Non-Executive Director

Chris is a director of the Australian Masters Yield Fund Series, the Australian Masters Corporate Bond Fund Series and serves as Managing Director and Chief Executive Officer at Dixon Advisory, Australia.

Prior to joining Dixon Advisory, Chris was an Executive Director at UBS AG in the Investment Banking Division in Sydney. Over 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 3 September 2009.
- He beneficially holds 400 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:
  - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
  - Australian Masters Yield Fund No 1 Limited (since 2010)
  - Australian Masters Yield Fund No 2 Limited (since 2010)
  - Australian Masters Yield Fund No 3 Limited (since 2011)
  - Australian Masters Yield Fund No 4 Limited (since 2011)
  - Australian Masters Yield Fund No 5 Limited (since 2012)
  - US Masters Residential Property Fund (since 2011 until 22 June 2015)
  - US Select Private Opportunities Fund (since 2011 until 23 April 2014).

# **AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

**ABN 57 139 247 564**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

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

Non-Executive Director

Alex MacLachlan is currently Chairman of the Responsible Entity for the Emerging Markets Masters Fund, Australian Property Opportunities Fund, Australian Property Opportunities Fund II, US Masters Residential Property Fund and US Select Private Opportunities Fund II and Managing Director of Global Resource Masters Fund and Australian Governance Masters Index Fund Limited. Alex also serves as a director of the Australian Masters Yield Fund Series, the Australian Masters Corporate Bond Fund Series and Asian Masters Fund Limited.

Alex joined Dixon Advisory in 2008 to lead the Funds Management division. He is currently the CEO of Funds Management Dixon Advisory Australia and the Head of Strategy of Dixon Advisory USA.

Before joining Dixon Advisory, Alex was an investment banker specialising in the natural resources sector, most recently serving as Head of Energy, Australasia, for UBS AG in Sydney and prior to that as an investment banker at Credit Suisse First Boston. During his career as an investment banker, Alex advised many of Australia's and the world's leading natural resources companies, working with over 30 companies on more than \$100 billion in announced mergers and acquisitions and capital markets transactions.

Before specialising in natural resources investment banking, Alex worked in the Japanese Government Bond derivatives markets in London, New York and Sydney. Alex has a Bachelor of Arts from Cornell University and a Master of Business Administration from The Wharton School, University of Pennsylvania.

- Alex was appointed as non-executive director on 3 September 2009.
- Holds no shares in the capital of the Company.
- During the past three years, he 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)
  - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
  - Australian Masters Yield Fund No 1 Limited (since 2010)
  - Australian Masters Yield Fund No 2 Limited (since 2010)
  - Australian Masters Yield Fund No 3 Limited (since 2011)
  - Australian Masters Yield Fund No 4 Limited (since 2011)
  - Australian Masters Yield Fund No 5 Limited (since 2012)
  - Emerging Markets Master Fund (since 2012)
  - Global Resource Masters Fund Limited (since 2008)
  - US Masters Residential Property Fund (since 2011)
  - US Select Private Opportunities Fund (since 2011)
  - US Select Private Opportunities Fund II (since 2012)

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

**ABN 57 139 247 564**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Information on Company Secretary**

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

Company Secretary

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

Hannah was appointed as Company Secretary on 22 March 2010.

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015

### Remuneration Report

#### **(a) Remuneration Policy**

Under the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. However, Maximilian Walsh, Daryl Dixon, Alan Dixon, Christopher Brown and Alexander MacLachlan have agreed not to be paid any remuneration by the Company for the services they perform as directors. Aside from the directors there are no other key management personnel.

Maximilian Walsh and Alexander MacLachlan are also Directors of the Manager.

#### **(b) Key Management Personnel Remuneration**

Details of remuneration paid during the year to directors and officers are set out in the table below.

2015

	Salary, fees and commission	Superannuation Contributions	Cash bonus	Non-cash benefits	Other	Total
Directors	\$	\$	\$	\$	\$	\$
Maximilian Walsh	-	-	-	-	-	-
Daryl Dixon	-	-	-	-	-	-
Alan Dixon	-	-	-	-	-	-
Christopher Brown	-	-	-	-	-	-
Alexander MacLachlan	-	-	-	-	-	-
Total	-	-	-	-	-	-

2014

	Salary, fees and commission	Superannuation Contributions	Cash bonus	Non-cash benefits	Other	Total
Directors	\$	\$	\$	\$	\$	\$
Maximilian Walsh	-	-	-	-	-	-
Daryl Dixon	-	-	-	-	-	-
Alan Dixon	-	-	-	-	-	-
Christopher Brown	-	-	-	-	-	-
Alexander MacLachlan	-	-	-	-	-	-
Total	-	-	-	-	-	-

#### **(c) Service Agreements**

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

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**Remuneration Report (cont.)**

***(d) 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 7 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.

***(e) Beneficial and Relevant Interest of Directors in Shares***

At the date of this report, details of directors who hold shares for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

<b>Director</b>	<b>No. of shares</b>
Maximilian Walsh	8,001
Daryl Dixon	1,000
Alan Dixon	2,100
Christopher Brown	400
Alexander MacLachlan	-

***(f) Related-Party Transactions***

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 Maximilian Walsh and Mr Alexander MacLachlan are Directors of the Company and Directors of the Manager.

***Management Fee***

The Manager is entitled to receive an annualised management fee of 0.45% (excluding GST) of the value of the Portfolio. The management fee paid or payable for the year was \$282,856 (2014: \$313,657) inclusive of GST.

No management fees are outstanding to the Manager at the year-end (2014: Nil).

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015

### Non-audit Services

Deloitte Private Pty Ltd, a related party of the Company's auditor, performed tax review services for the Company.

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Deloitte Touche Tohmatsu and its related parties for non-audit services provided during the year ended 30 June 2015:

	\$
Tax compliance	2,300
	<b>2,300</b>

### Auditor's Independence Declaration

A copy of the lead auditor's independence declaration for the year ended 30 June 2015 as required under Section 307C of the *Corporations Act 2001* is set out on page 18.

Made in accordance with a resolution of the Board of Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.



**Mr Maximilian Sean Walsh**  
Chairman

14 August 2015

The Board of Directors  
Australian Masters Corporate Bond Fund No 5 Limited  
Level 15  
100 Pacific Highway  
NORTH SYDNEY NSW 2060

14 August 2015

Dear Board Members

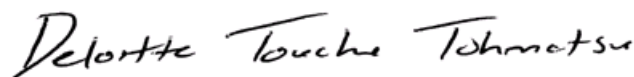
**Australian Masters Corporate Bond Fund No 5 Limited**

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

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Michael Kaplan  
Partner  
Chartered Accountants

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

**ABN 57 139 247 564**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
Revenue	2	2,622,997	4,446,713
Management and administration fee	14	(360,151)	(381,575)
Listing fees		(22,239)	(27,510)
Registry fees		(26,313)	(26,899)
Legal and compliance fees		(4,142)	(7,776)
Other expenses		(43,205)	(34,435)
<b>Profit before income tax</b>		<b>2,166,947</b>	<b>3,968,518</b>
Income tax expense	3	(650,084)	(1,190,555)
<b>Profit for the year</b>		<b>1,516,863</b>	<b>2,777,963</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,516,863</b>	<b>2,777,963</b>
<b>Earnings per share</b>			
<b>Basic earnings per share</b>	12	<b>1.94</b>	<b>3.55</b>
<b>Diluted earnings per share</b>	12	<b>1.94</b>	<b>3.55</b>

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



**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

**ABN 57 139 247 564**

**STATEMENT OF FINANCIAL POSITION**

**AT 30 JUNE 2015**

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<i>Current</i>			
Cash and cash equivalents	5	2,313,593	2,150,226
Other receivables	6	2,271	2,538,732
Current tax assets	10	81,388	-
Financial assets	7	13,035,383	39,782,728
Deferred tax assets	8	3,885	-
<b>Total Current Assets</b>		<b>15,436,520</b>	<b>44,471,686</b>
<i>Non-Current</i>			
Financial assets	7	-	12,709,841
Deferred tax assets	8	-	5,021
<b>Total Non-Current Assets</b>		<b>-</b>	<b>12,709,841</b>
<b>Total Assets</b>		<b>15,436,520</b>	<b>57,181,527</b>
<b>Liabilities</b>			
<i>Current</i>			
Current tax liabilities	10	-	101,284
Other payables	9	115,130	26,072
<b>Total Current Liabilities</b>		<b>115,130</b>	<b>127,356</b>
<b>Total Liabilities</b>		<b>115,130</b>	<b>127,356</b>
<b>Net Assets</b>		<b>15,321,390</b>	<b>57,054,171</b>
<b>Equity</b>			
Issued capital	11	14,437,788	55,869,310
Retained earnings		883,602	1,189,882
<b>Total Equity</b>		<b>15,321,390</b>	<b>57,059,192</b>

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

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Issued capital \$	Retained earnings \$	Total \$
<b>Balance at</b>				
<b>1 July 2013</b>		<b>61,894,291</b>	<b>1,377,461</b>	<b>63,271,752</b>
Profit for the year		-	2,777,963	2,777,963
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>2,777,963</b>	<b>2,777,963</b>
Dividends paid	4	-	(2,965,542)	(2,965,542)
Capital returns	11	(6,024,981)	-	(6,024,981)
<b>Balance at</b>				
<b>30 June 2014</b>		<b>55,869,310</b>	<b>1,189,882</b>	<b>57,059,192</b>
<b>Balance at</b>				
<b>1 July 2014</b>		<b>55,869,310</b>	<b>1,189,882</b>	<b>57,059,192</b>
Profit for the year		-	1,516,863	1,516,863
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>1,516,863</b>	<b>1,516,863</b>
Dividends paid	4	-	(1,823,143)	(1,823,143)
Capital returns	11	(41,431,522)	-	(41,431,522)
<b>Balance at</b>				
<b>30 June 2015</b>		<b>14,437,788</b>	<b>883,602</b>	<b>15,321,390</b>

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

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

		2015	2014
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Interest received from bank		234,634	60,918
Interest received from investments		3,062,379	3,944,773
Management fees paid		(282,856)	(313,657)
Payments to suppliers		(108,022)	(178,813)
Net tax paid		(808,103)	(1,165,358)
Net cash flows provided by operating activities	13(a)	2,098,032	2,347,863
<b>Cash flows from investing activities</b>			
Proceeds from redemption of investments		41,320,000	6,000,000
Net cash flows provided by investing activities		41,320,000	6,000,000
<b>Cash flows from financing activities</b>			
Dividends paid	4	(1,823,143)	(2,965,542)
Capital returns paid	11	(41,431,522)	(6,024,981)
Net cash flows (used in) financing activities		(43,254,665)	(8,990,523)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>163,367</b>	<b>(642,660)</b>
<b>Cash and cash equivalents at beginning of the year</b>			
		<b>2,150,226</b>	<b>2,792,886</b>
<b>Cash and cash equivalents at end of the year</b>			
	13(b)	<b>2,313,593</b>	<b>2,150,226</b>

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

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The financial report covers Australian Masters Corporate Bond Fund No 5 Limited (**Company**) as an individual entity. Australian Masters Corporate Bond Fund No 5 Limited is a company limited by shares, incorporated and domiciled in Australia, whose 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 14 August 2015.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

### 1. Summary of Significant Accounting Policies

#### 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. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on a liquidation basis as it is anticipated that following maturity of the company's existing bond holdings within the next 12 months, that the company's capital will be returned to investors and the company will subsequently be liquidated.

#### Application of new and revised accounting standards

##### ***Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year***

In the current year, the Company has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore relevant for the current year end.

- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financials Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2012 – 2012 and 2011 – 2013 Cycles)
- Interpretation 21 'Levies'
- AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)

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

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED****ABN 57 139 247 564****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015****1. Summary of Significant Accounting Policies (cont.)****Application of new and revised accounting standards (cont.)*****Standards and interpretations issued not yet adopted***

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below. The potential impact of the new or revised Standards and Interpretations has not yet been determined but is not expected to be material.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale of Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

# **AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

**ABN 57 139 247 564**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

### **1. Summary of Significant Accounting Policies (cont.)**

#### **(a) Income Tax**

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

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

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

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

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. Summary of Significant Accounting Policies (cont.)

#### (b) Financial Instruments

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

The Company has elected to early adopt "AASB 9 – Financial Instruments", which was issued on 7 December 2009. AASB 9 includes requirements for the classification and measurement of financial assets. The Company has not early adopted subsequent amendments to AASB9 issued in 2010 and 2013.

#### (i) Financial assets

##### *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.

##### *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:

- a) where the financial asset is held within a business model for 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 expense 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.

#### (ii) 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.

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. Summary of Significant Accounting Policies (cont.)

#### (iii) Financial liabilities

##### *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.

##### *Subsequent Measurement*

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

#### (iv) 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, reference to similar instruments and valuation techniques commonly used by market participants.

#### (c) Foreign Currency Transactions and Balances

##### *Functional and presentation currency*

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.

##### *Transaction and balances*

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.

#### (d) 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.



**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. Summary of Significant Accounting Policies (cont.)**

**(e) Revenue**

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

*Interest income*

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

All revenue is stated net of the amount of goods and services tax (GST).

**(f) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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.

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, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(g) Trade and Other Payables**

Trade payables and other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. The balance is unsecured and is recognised as a current liability with the amount normally paid within 30 days of recognition of the liability.

**(h) 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.

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. Summary of Significant Accounting Policies (cont.)

#### (i) 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 year. Diluted earnings per share is the same because there are no dilutive potential ordinary shares.

#### (j) Operating Segments

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

#### (k) Share Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### (l) Critical Accounting Estimates and Judgements

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.

#### (m) Key Estimates and Judgements – Impairment

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

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

In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of, and near-term business outlook for, the investee including industry and sector performance and 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 CORPORATE BOND FUND NO 5 LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 2. Revenue

	2015	2014
	\$	\$
Interest from investments in corporate bonds	2,425,195	4,401,927
Interest from banks	195,067	42,582
Other income	2,735	2,204
	<b>2,622,997</b>	<b>4,446,713</b>

### 3. Income Tax Expense

(a) The components of tax expense comprise:

Current tax	649,525	1,131,329
Deferred tax	559	59,226
	<b>650,084</b>	<b>1,190,555</b>

(b) Prima facie tax on profit from ordinary activities  
before income tax at 30%

	650,084	1,190,555
	<b>650,084</b>	<b>1,190,555</b>

The applicable weighted average effective tax rates are	30%	30%
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# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 4. Dividends Paid

	2015 \$	2014 \$
<b>Dividends paid</b>		
Fully franked dividend of \$1.05 per share paid on 22 August 2013	-	821,588
Fully franked dividend of \$0.95 per share paid on 25 November 2013	-	743,342
Fully franked dividend of \$0.74 per share paid on 19 February 2014	-	579,024
Fully franked dividend of \$1.05 per share paid on 14 May 2014	-	821,588
Fully franked dividend of \$0.63 per share paid on 18 August 2014	492,953	-
Fully franked dividend of \$0.99 per share paid on 20 November 2014	774,640	-
Fully franked dividend of \$0.36 per share paid on 12 February 2015	281,687	-
Unfranked dividend of \$0.35 per share paid on 12 May 2015	273,863	-
	<b>1,823,143</b>	<b>2,965,542</b>
Total dividends per share for the year	<b>2.33</b>	<b>3.79</b>

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

### Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance at the end of the financial year at 30%	285,220	113,997
- Franking (debit)/credits that will arise from income tax payable at the end of the financial year	(81,388)	101,284
	<b>203,832</b>	<b>215,281</b>

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**5. Cash and Cash Equivalents**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash at bank and in hand	2,313,593	2,150,226
	<b>2,313,593</b>	<b>2,150,226</b>

The weighted average interest rate on cash at bank is 0.43% (2014: 0.24%) at year-end.

**6. Other Receivables**

<b>Current</b>		
GST receivable	1,430	1,059
Interest receivable	841	796
Coupon receivable	-	36,877
Unsettled trade	-	2,500,000
	<b>2,271</b>	<b>2,538,732</b>

There are no balances above that contain assets that are impaired and past due. All the receivables above are non-interest bearing.

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 7. Financial Assets

			2015	
			\$	\$
<hr/>				
Current				
a) Amortised Cost				
Corporate Bonds	Maturity Date	Coupon Rate	Face Value	Amortised Cost
Fixed Rate				
Santos Finance	23-Sep-15	6.25%	6,000,000	6,072,101
Envestra Victoria	14-Oct-15	6.25%	2,500,000	2,504,167
Australia Pacific Airports	14-Dec-15	6.00%	1,000,000	986,934
Floating Rate				
Australia Pacific Airports	14-Dec-15	3M BBSW + 0.25%	3,510,000	3,472,181
			13,010,000	13,035,383
<hr/>				

			2014	
			\$	\$
<hr/>				
Current				
a) Amortised Cost				
Corporate Bonds	Maturity Date	Coupon Rate	Face Value	Amortised Cost
Fixed Rate				
Leighton Finance	28-Jul-14	9.50%	6,900,000	7,180,117
AMP Capital	05-Oct-14	8.00%	3,500,000	3,563,758
CFS Retail	22-Dec-14	6.25%	2,400,000	2,383,079
Stockland Property	18-Feb-15	8.50%	18,190,000	18,751,051
Mirvac	15-Mar-15	8.25%	2,300,000	2,360,105
Floating Rate				
Dexus Finance	28-Jul-14	3M BBSW + 4.50%	2,500,000	2,535,439
Sydney Airport Finance	20-Nov-14	3M BBSW + 0.49%	3,030,000	3,009,179
			38,820,000	39,782,728
<hr/>				

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. Financial Assets (cont.)**

			2014	
			\$	\$
<hr/>				
Non-Current				
a) Amortised Cost				
Corporate Bonds	Maturity Date	Coupon Rate	Face Value	Amortised Cost
Fixed Rate				
Santos Finance	23-Sep-15	6.25%	6,000,000	5,958,629
Envestra Victoria	14-Oct-15	6.25%	2,500,000	2,412,784
Australia Pacific Airports	14-Dec-15	6.00%	1,000,000	955,104
Floating Rate				
Australia Pacific Airports	14-Dec-15	3M BBSW + 0.25%	3,510,000	3,383,324
			13,010,000	12,709,841
			<hr/>	

**8. Deferred Tax Assets**

		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<hr/>			
<b>Current</b>			
Deferred tax assets		3,885	-
		<b>3,885</b>	<b>-</b>
<hr/>			
<b>Non-Current</b>			
Deferred tax assets comprise:			
Transaction costs on equity issue		-	589
Other		-	4,432
		<b>-</b>	<b>5,021</b>
<hr/>			

**9. Other Payables**

<b>Current</b>			
Accrued expenses		115,130	26,072
		<b>115,130</b>	<b>26,072</b>
<hr/>			

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 10. Current Tax Asset/Liabilities

	2015	2014
	\$	\$
<b>Current</b>		
Current tax assets	81,388	-
	<b>81,388</b>	<b>-</b>
<b>Current</b>		
Current tax liabilities	-	101,284
	<b>-</b>	<b>101,284</b>

### 11. Issued Capital

#### (a) Issued capital

Balance at the beginning of the year	55,869,310	61,894,291
Third capital return of \$7.70 per share paid 19 February 2014	-	(6,024,981)
Fourth capital return of \$15.64 per share paid 20 November 2014	(12,237,752)	-
Fifth capital return of \$10.84 per share paid 12 February 2015	(8,481,921)	-
Sixth capital return of \$26.47 per share paid 12 May 2015	(20,711,849)	-
Balance at the end of the year	<b>14,437,788</b>	<b>55,869,310</b>

#### (b) Movement in ordinary shares

Date		No.	No.
1 July	Opening balance	782,465	782,465
30 June	Closing balance	<b>782,465</b>	<b>782,465</b>

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.



# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 11. Issued Capital (cont.)

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.

### Capital Management

The Company's objective in managing capital is to continue to provide shareholders with dividends and capital stability over the longer 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 may also return capital as financial assets mature over the Company's life.

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 2015, financial liabilities were \$115,130 (2014: \$127,356). There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

### 12. Earnings per share

#### (a) Calculated earnings per share

	2015	2014
	\$	\$
Basic earnings per share	1.94	3.55
Diluted earnings per share	1.94	3.55

#### (b) Earnings used in calculating earnings per share

Profit from continuing operations used to calculate basic and diluted earnings per share	1,516,863	2,777,963
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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**12. Earnings per share (cont.)**

**(c) Weighted average number of shares**

	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used to calculate basic earnings per share	782,465	782,465
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	782,465	782,465

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

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**13. Cash Flow Information**

**(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax**

	2015	2014
	\$	\$
Profit after tax	1,516,863	2,777,963
Add/(less):		
Accrued interest on corporate bonds	637,186	(420,277)
Changes in assets and liabilities:		
Decrease/(increase) in receivables	36,461	(20,713)
Decrease in deferred tax assets	1,136	59,226
(Increase) in income tax payable	(182,672)	(60,115)
Increase in accrued expenses	89,058	11,779
<b>Cash flow from operations</b>	<b>2,098,032</b>	<b>2,347,863</b>

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

**(b) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes:

- (i) cash at bank and in hand and
- (ii) investments in money market instruments with 90 days or less maturity.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

**Current**

Cash at bank and in hand	2,313,593	2,150,226
	<b>2,313,593</b>	<b>2,150,226</b>

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**14. Related-Party Transactions**

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

Mr Maximilian Sean Walsh – Non-Executive Chairman  
 Mr Daryl Albert Dixon – Non-Executive Director  
 Mr Alan Cochrane Dixon – Non-Executive Director  
 Mr Christopher Matthew Brown – Non-Executive Director  
 Mr Alexander Gen MacLachlan – Non-Executive Director

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

*Walsh & Company Asset Management Pty Limited*

Mr Maximilian Walsh and Mr Alexander MacLachlan are Directors of the Company and Directors of the Manager.

(a) Key Management Personnel Related Entity Transaction

Key management personnel and their related entities hold directly, indirectly or beneficially at the reporting date the following interests in the Company:

	Ordinary shares	
	Direct	Indirect
Maximilian Walsh	1	8,000
Daryl Dixon	-	1,000
Alan Dixon	-	2,100
Christopher Brown	-	400
Alexander MacLachlan	-	-

(b) Management Fee

The Manager is entitled to receive an annualised management fee of 0.45% (excluding GST) of the value of the Portfolio. The management fee paid or payable for the year was \$282,856 (2014: \$313,657) inclusive of GST.

No management fees are outstanding to the Manager at the year-end (2014: Nil).

(c) Administration costs

*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 year was \$90,000 (2014: \$87,166), exclusive of GST.

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**15. Key Management Personnel**

Names and positions held by key management personnel in office at any time during the financial year are:

Mr Maximilian Sean Walsh – Non-Executive Chairman  
Mr Daryl Albert Dixon – Non-Executive Director  
Mr Alan Cochrane Dixon – Non-Executive Director  
Mr Christopher Matthew Brown – Non-Executive Director  
Mr Alexander Gen MacLachlan – Non-Executive Director

*Key Management Personnel Remuneration*

Maximilian Walsh, Daryl Dixon, Alan Dixon, Christopher Brown and Alexander MacLachlan 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.

*Number of Shares Held by Key Management Personnel*

	Balance at 1 July 2014	Received as remuneration	Net change other	Balance at 30 June 2015
Directors	No.	No.	No.	No.
Maximilian Walsh	8,001	-	-	8,001
Daryl Dixon	1,000	-	-	1,000
Alan Dixon	2,100	-	-	2,100
Christopher Brown	400	-	-	400
Alexander MacLachlan	-	-	-	-
<b>Total</b>	<b>11,501</b>	<b>-</b>	<b>-</b>	<b>11,501</b>

**16. Financial Risk Management**

*(a) Financial Risk Management Policies*

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

*(i) Interest rate risk*

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

Interest rate risk is managed using a mix of fixed and floating rate financial assets. At 30 June 2015, approximately 73% of the financial assets was at a fixed rate and 27% of the financial assets was at a floating rate.

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 16. Financial Risk Management (cont.)

#### (ii) 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 had no borrowings at 30 June 2015, and cash inflows from coupons from underlying corporate bonds are received at regular intervals to meet the obligations of the Company. Corporate bonds can be traded in the over-the-counter market, in the event the Company needs to convert investments into cash to realise underlying financial positions.

#### (iii) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 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 2015.

#### (b) Financial Instruments

##### (i) Financial instrument composition and maturity analysis

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.

	2015 \$	Weighted Average Effective Interest Rate
<b>Financial Assets</b>		
Cash and cash equivalents	2,313,593	0.43%
Other receivables	2,271	-
Investment in corporate bonds	13,347,394	8.00%
	<b>15,663,258</b>	
	2014 \$	Weighted Average Effective Interest Rate
<b>Financial Assets</b>		
Cash and cash equivalents	2,150,226	0.24%
Other receivables	2,538,732	-
Investment in corporate bonds	55,242,690	7.96%
	<b>59,931,648</b>	

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**16. Financial Risk Management (cont.)**

(i) Financial instrument composition and maturity analysis (cont.)

<b>30 June 2015</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	2,313,593	-	-	2,313,593
Other receivables	2,271	-	-	2,271
Investment in corporate bonds	13,347,394	-	-	13,347,394
<b>Total Financial Assets</b>	<b>15,663,258</b>	<b>-</b>	<b>-</b>	<b>15,663,257</b>

<b>30 June 2014</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	2,150,226	-	-	2,150,226
Other receivables	2,538,732	-	-	2,538,732
Investment in corporate bonds	41,792,743	13,449,947	-	55,242,690
<b>Total Financial Assets</b>	<b>46,481,702</b>	<b>13,449,947</b>	<b>-</b>	<b>59,931,648</b>

**16. Financial Risk Management (cont.)**

(i) Net fair values

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

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

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- (b) 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)
- (c) 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.

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 16. Financial Risk Management (cont.)

#### (ii) Net fair values (cont.)

	Fair value hierarchy as at 30 June 2015			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Corporate bonds	-	13,126,870	-	13,126,870
<b>Total</b>	<b>-</b>	<b>13,126,870</b>	<b>-</b>	<b>13,126,870</b>

	Fair value hierarchy as at 30 June 2014			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Corporate bonds	-	53,331,865	-	53,331,865
<b>Total</b>	<b>-</b>	<b>53,331,865</b>	<b>-</b>	<b>53,331,865</b>

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.

#### (iii) Sensitivity analysis

##### *Interest rate risk*

The Company has performed sensitivity analysis relating to its exposure to its interest rate risk at 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 assets that have a variable interest rate.

At 30 June 2015, the effect on profit and equity in respect of variable rate instruments as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2015 \$	2014 \$
<b>Change in profit before tax and equity</b>		
Increase in interest rate by 1%		
- Cash at bank	23,136	21,502
- Financial assets	58,457	171,667
Decrease in interest rate by 1%		
- Cash at bank	(23,136)	(21,502)
- Financial assets	(58,467)	(171,567)



# **AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

### **17. Auditor's Remuneration**

The auditor of the Company is Deloitte Touche Tohmatsu. The fee in connection with the audit and review of the financial statements of the Company received or receivable is \$17,150 for the year ended 30 June 2015 (2014: \$16,950). Tax and other services for the year ended 30 June 2015 amount to \$2,300 (2014: \$2,200).

### **18. Contingent Liabilities**

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

### **19. Capital Commitments**

The Company has no capital commitments at balance date.

### **20. Events After The Reporting Period**

On 29 July 2015, the Company announced an unfranked dividend of \$0.20 per share. The dividend will be paid to shareholders on 18 August 2015.

There has not been any other event 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.

### **21. Company Details**

The registered office of the Company is:

Australian Masters Corporate Bond Fund No 5 Limited

Level 15, 100 Pacific Highway

North Sydney NSW 2060

The principal place of business is:

Australian Masters Corporate Bond Fund No 5 Limited

Level 15, 100 Pacific Highway

North Sydney NSW 2060

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**

**ABN 57 139 247 564**

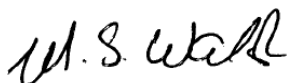
**DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2015**

The Directors of the Company declare that:

1. The financial report as set out in pages 19 to 44 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 15 to 16, are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the Company's financial position at 30 June 2015 and of its performance, as represented by the results of the operations and the cash flows, for the financial year ended on that date;
  - b. in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
  - c. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - d. the directors have been given the declarations required by s295A of the *Corporations Act 2001*.
2. The Directors of the Manager, Walsh & Company Asset Management Pty Limited have declared that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards;
  - c. the financial statements and notes for the financial year give a true and fair view.
3. At the date of this declaration, in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 295(5) of the *Corporations Act 2001*.

On behalf of the directors



**Mr Maximilian Sean Walsh**  
**Chairman**

14 August 2015

## **Independent Auditor's Report to the members of Australian Masters Corporate Bond Fund No. 5 Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Australian Masters Corporate Bond Fund No.5 Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 19 to 45.

#### *Directors' Responsibility 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 as disclosed in Note 1 in the financial statements, 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## *Auditor's Independence Declaration*

In conducting our audit, 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 Corporate Bond Fund No.5 Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

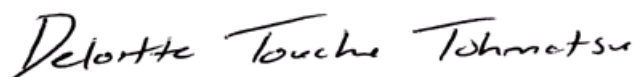
- (a) the financial report of Australian Masters Corporate Bond Fund No.5 Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 16 of the directors' report for the year ended 30 June 2015. 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.

## *Opinion*

In our opinion the Remuneration Report of Australian Masters Corporate Bond Fund No.5 Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Michael Kaplan  
Partner  
Chartered Accountants  
Sydney, 14 August 2015

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## ADDITIONAL SECURITIES EXCHANGE DISCLOSURES

AT 31 JULY 2015

### Statement of quoted securities at 31 July 2015

- There are 1,409 shareholders holding a total 782,465 ordinary fully paid shares.
- The 20 largest shareholders between them hold 10.187% of the total shares on issue.
- Voting rights are each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### Distribution of quoted shares at 31 July 2015

Distribution of shareholders category (size of holding)	Number of shareholders
1 – 1,000	1,251
1,001 – 5,000	154
5,001 – 10,000	4
10,001 – 100,000	0
100,001 – and over	0
<b>Total Holders</b>	<b>1,409</b>
<b>Less than marketable parcel</b>	<b>5</b>

### Substantial shareholdings at 31 July 2015

There are no substantial shareholders pursuant to the provisions of Section 671B of the *Corporations Act 2001*.

### Directors' shareholdings

At 30 June 2015, Directors of the Company held a relevant interest in the following securities on issue by the Company.

Director	Ordinary shares
Maximilian Walsh	8,001 ordinary shares
Daryl Dixon	1,000 ordinary shares
Alan Dixon	2,100 ordinary shares
Christopher Brown	400 ordinary shares
Alexander MacLachlan	0 ordinary shares

### 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 CORPORATE BOND FUND NO 5 LIMITED****ABN 57 139 247 564****ADDITIONAL SECURITIES EXCHANGE DISCLOSURES****AT 31 JULY 2015****Top 20 holders of ordinary shares**

<b>Shareholder name</b>	<b>Number of shares Held</b>	<b>% of Total</b>
THE BRAD SHOFR FAMILY TRUST>	10,000	1.278
NEWTON BEAVIS RET FUND A/C>	6,100	0.780
DARIDA SUPER FUND A/C>	6,000	0.767
GERALDINE WALSH PENSION A/C>	5,500	0.703
THE BRAD SHOFR FAMILY TRUST>	5,000	0.639
JP & S FRIEND SUPER FUND A/C>	4,000	0.511
A L KLINE P/L SUPER FUND A/C>	3,985	0.509
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,546	0.453
ARISTIDES FAMILY A/C>	3,500	0.447
BC MCCAUGHAN PRACTICE SF A/C>	3,400	0.435
BERNARD G RENWICK S/F A/C>	3,100	0.396
THE G & S PAYNE S/F A/C>	3,066	0.392
THE M & I NEALE S/FUND A/C>	3,050	0.390
JOYLAW SUPER FUND A/C>	3,050	0.390
SARBRO SUPER FUND A/C>	2,990	0.382
HAWES FAMILY SUPER FUND A/C>	2,880	0.368
TRIANGLE S/F A/C>	2,780	0.355
HELEN & ROGER ALLNUTT SF A/C>	2,600	0.332
THE SOMMER GROUP S/FUND A/C>	2,600	0.332
P ALLAN SUPER FUND A/C>	2,565	0.328
<b>Total held by top 20 holders of ordinary shares</b>	<b>79,712</b>	<b>10.187</b>

# AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## ADDITIONAL SECURITIES EXCHANGE DISCLOSURES

AT 31 JULY 2015

### Management Agreement

The Company's investment activities are managed on an exclusive basis by the Manager. The management agreement is dated 28 March 2014 (**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 6 October 2009 and expiring on 31 March 2016 (**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 0.45% (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 and 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; or
- b) materially breaches its obligations and such breach cannot be rectified; or
- 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; or
- d) the value of the Portfolio falls to a level below \$1,000,000 and a notice of meeting for the Company is sent to Shareholders which includes a resolution to seek approval to voluntarily wind-up the Company; or
- 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 CORPORATE BOND FUND NO 5 LIMITED

ABN 57 139 247 564

## CORPORATE DIRECTORY

### FOR THE YEAR ENDED 30 JUNE 2015

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

Home Exchange is Sydney.

ASX Code is AKY.

#### Directors

Mr Maximilian Sean Walsh  
(Non-Executive Chairman)

Mr Daryl Albert Dixon  
(Non-Executive Director)

Mr Alan Cochrane Dixon  
(Non-Executive Director)

Mr Christopher Matthew Brown  
(Non-Executive Director)

Mr Alexander Gen MacLachlan  
(Non-Executive Director)

#### 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.corporatebondfund.com.au](http://www.corporatebondfund.com.au)

#### Share Register managed by

Boardroom Pty Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000

Telephone	Facsimile
(02) 9290 9600	(02) 9279 0664

Website: [www.boardroomlimited.com.au](http://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](http://www.deloitte.com.au)

#### Solicitors

Watson Mangioni Lawyers Pty Limited  
Level 13  
50 Carrington Street  
Sydney NSW 2000

Telephone	Facsimile
(02) 9262 6666	(02) 9262 2626

Website: [www.wmlaw.com.au](http://www.wmlaw.com.au)

#### Bankers

Macquarie Bank  
ANZ Bank





# ANNUAL REPORT

FOR THE YEAR ENDED JUNE 2015