



AUSTRALIAN MASTERS  
CORPORATE BOND

**FUND No 5 LIMITED**

ABN 57 139 247 564

# 2012

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

# 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 AKX.

## 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)

## SECRETARIES

Ms Hannah Chan

Ms Karen Luu

## REGISTERED OFFICE

Level 15, 100 Pacific Highway  
North Sydney NSW 2060

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## PRINCIPAL OFFICE

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North Sydney NSW 2060

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## SHARE REGISTER MANAGED BY

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## AUDITOR

### Deloitte Touche Tohmatsu

Grosvenor Place, 225 George Street  
Sydney NSW 2000

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

## SOLICITOR

### Watson Mangioni Lawyers Pty Limited

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Sydney NSW 2000

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## BANKS

Macquarie Bank

ANZ Bank

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**FOR THE YEAR ENDED 30 JUNE 2012**

**CHAIRMAN'S LETTER**

Welcome to the Annual Report for the Australian Masters Bond Fund No 5 Limited ('AMCBF5' or the 'Company') for the financial year ended 30 June 2012 (FY12). The Company is part of the Australian Masters Corporate Bond Series ('AMCBF Series' or 'the Funds').

**OVERVIEW**

At 30 June 2012, the Company was invested in 16 different bonds issued by Australian and international companies, totalling \$58.8 million at face value. At the time of purchase, the bonds had gross yields to maturity (YTM) of between 7.1% and 10.4%.

Over the year, AMCBF5 sold its holdings in Downer Group Finance. Following the sale, AMCBF5 paid a capital return to shareholders of \$14.86 per share in April 2012, representing the proceeds received from the sale of the Downer Group Finance bonds and the first capital return approved by shareholders. No other bonds held by AMCBF5 matured, were redeemed or sold over the financial year.

The Company also paid two fully franked dividends of \$2.95 in December 2011 and \$2.30 in April 2012.

The table below outlines the holdings of the Company at 30 June 2012. All bonds continue to perform in line with expectations.

<b>ISSUER</b>	<b>MATURITY</b>	<b>FACE VALUE</b>
AUSTRALIA PACIFIC AIRPORTS	14-Dec-15	\$1,000,000
AUSTRALIA PACIFIC AIRPORTS	14-Dec-15	\$3,510,000
ENVESTRA VICTORIA PTY LTD	14-Oct-15	\$2,500,000
SANTOS FINANCE	23-Sep-15	\$6,000,000
MIRVAC GROUP	15-Mar-15	\$2,300,000
STOCKLAND PROPERTY MANAGEMENT	18-Feb-15	\$18,190,000
CFS RETAIL PROPERTY TRUST	22-Dec-14	\$2,400,000
SYDNEY AIRPORT FINANCE	20-Nov-14	\$3,030,000
AMP CAPITAL	5-Oct-14	\$3,500,000
LEIGHTON FINANCE	28-Jul-14	\$6,900,000
DEXUS FINANCE	28-Jul-14	\$2,500,000
GOLDMAN SACHS	24-Jun-14	\$2,500,000
BRISBANE AIRPORT	11-Dec-13	\$5,000,000
GPT GROUP	22-Aug-13	\$1,000,000
STOCKLAND PROPERTY MANAGEMENT	15-May-13	\$500,000
VOLKSWAGEN FINANCIAL SERVICES	26-Nov-12	\$3,000,000

The expected maturity of the Company is no later than 31 December 2015, after which it is anticipated that the Company will be wound up, with all capital returned to shareholders.

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**CHAIRMAN'S LETTER**

**AMCBF SERIES ACTIVITY**

Over the course of FY12, all funds within the AMCBF Series continued to perform as expected. AMCBF4 & 5 have begun to return capital to shareholders as underlying investments mature, are redeemed or sold consistent with the strategy of the AMCBF Series.

AMCBF1 & 2 were delisted from the ASX in July 2011 following payment of the final capital returns. As a result of these payments, the net issued capital per share for each company was repaid in full. Shareholders of both AMCBF1 & 2 subsequently approved the voluntary liquidation of the companies at a meeting of shareholders.

The final capital return for AMCBF3 was paid in December 2011, and following this payment the net issued capital per share has also been repaid in full. Shares in the company were subsequently delisted from the ASX. Following the final capital return, the Board called a meeting of shareholders in March 2012 at which shareholders were asked to approve the voluntary liquidation of the company. The resolutions were overwhelmingly approved by shareholders.

A number of bonds held by AMCBF4 matured in accordance with their terms over FY12. The company received approximately \$9.5 million in July 2011 from the redemption of bonds issued by Energy Partnership Gas, \$10.2 million in September 2011 for bonds issued by HSBC, \$10.4 million in December 2011 for bonds issued by AMEX and \$21 million in February 2012 for bonds issued by Merrill Lynch and CitiGroup.

All remaining bonds held within the portfolios of AMCBF4 & AMCBF5 continue to perform as expected.

**ECONOMIC OVERVIEW**

Financial markets in FY12 were weighed down by continued uncertainty in the global macroeconomic environment. Markets seemed to hang on the political impasse in Europe, reflecting the difficulty European policymakers were having in dealing with the sovereign debt crisis. The fragility of the US economic recovery, as well as global growth prospects more generally, were also a key source of financial market volatility and heightened investor concern over the year.

Growth in the world economy slowed in the second half of calendar 2011, and more recent indicators suggest further weakening in Europe as well as slowing growth in China. Growth in the US also remained subdued over FY12. Second quarter gross domestic product (GDP) figures showed that the US economy grew by only 1.5% over the year to June, prompting the Federal Reserve to announce the extension of its US\$400 billion Operation Twist Program to stimulate growth.

Consistent with the economic backdrop, sovereign yields on all the major safe-haven currencies fell significantly over the year. Yields on 10-year Australian Commonwealth Government Securities (CGS) reached an all-time low of 2.8% in early June, falling approximately 42% over the year. Falls of similar magnitude were experienced across all tenors domestically.

In contrast, yields on stressed European sovereigns continued their advance. Yields on 10-year Greek bonds finished the year at 25.3%, while yields on 10-year bonds issued by Portugal, Spain and Italy closed at 10.2%, 6.2% and 5.8% respectively.

Offshore demand played a significant part in driving down domestic yields, while at the same time placing upward pressure on the Australian dollar. The Reserve Bank of Australia (RBA) estimates that over 85% of CGS are owned by offshore investors, driven largely by our AAA sovereign credit rating and comparatively attractive sovereign yields.

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The RBA moved swiftly in the June quarter, cutting the official cash rate by 50 basis points (bps) from 4.25% to 3.75% in May and a further 25 bps in June. The official Australian cash rate now stands at 3.50%. Despite the softening of domestic monetary policy, the official Australian cash rate remains elevated compared to other developed nations - in Canada the cash rate stands at 1%, in Europe 0.75%, in Japan 0.10%, in the UK 0.50% and in the US 0.25%.

Capital markets remained skittish at flash points over the year and at one point, seemed all but closed in Europe until the European Central Bank implemented the Emergency Liquidity Assistance facility, which buoyed capital markets. At the time of writing, funding remains open to corporations and well-rated banks, however credit spreads continue to remain elevated.

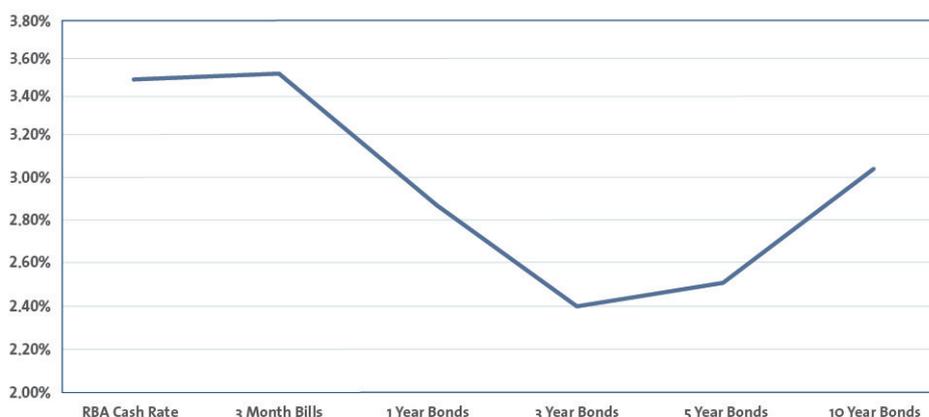
Domestically, credit spreads widened across the entire investment grade spectrum, particularly in AA credits. Australian banks, which make up the vast majority of Australian AA issuance, have seen their cost of funding increase significantly and, for the first time, must pay more to borrow from the wholesale debt markets than many non-financial corporates. This factor was the major reason AA spreads widened by approximately 59% compared to AAA (18%), A (14%) and BBB (1S1%).

First quarter domestic GDP data surprised on the upside, indicating the economy grew by 1.3% in the three months to March 2012, or 4.3% year-on-year. Despite this, the RBA forecasts growth at, or around, trend pace for the Australian economy over the coming year with the potential for significant variation across the domestic sectors.

Inflation continues to remain low domestically, with underlying measures near 2% over the year to June, and headline CPI inflation lower. The RBA expects the effects of the price on carbon will start to impact these measures over the coming quarters.

The domestic yield curve remains inverted, reflecting market expectations of further cuts to the official cash rate and the potential for slower domestic growth. The futures market is currently pricing a 58% chance of at least a 25 bps rate cut between now and January 2013.

**AUSTRALIAN GOVERNMENT YIELD CURVE**



Source: Bloomberg

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**CHAIRMAN'S LETTER**

**MARKET OUTLOOK**

While uncertainty remains over the prospects for developed market growth, particularly in Europe, the RBA is of the view that the Australian economy will continue to trend at average growth, although risks appear to be skewed to the downside. Given this, the domestic outlook for interest rates appears relatively subdued, with the likelihood of further cuts a distinct possibility.

There are no visible signs of an early resolution to the European sovereign debt crisis or a sustained pick up in the US economy. Financial markets may continue to be characterised by increased volatility and investor caution as the effects of the European crisis continue to work their way through the system. Such an environment highlights the importance of investing in a high quality portfolio of fixed income securities, such as those held by the AMCBF Series.



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Mr Maximilian Sean Walsh  
Chairman

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**FOR THE YEAR ENDED 30 JUNE 2012**  
**CORPORATE GOVERNANCE STATEMENT**

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2012.

**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 ("the 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;
- 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;
- 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; and
- Communicating with and protecting the rights and interests of all Shareholders.

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 their responsibilities.

**Board Composition**

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, Dixon Advisory & Superannuation Services Limited, 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.

The Company recognises the ASX Recommendations with respect to establishing audit, 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".

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**CORPORATE GOVERNANCE STATEMENT**

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 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.

**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 is available on the Company website under the shareholder information section.

**Diversity**

The Company recognises the ASX recommendation with respect to gender diversity. Noting that the current composition of the board is all male, the directors will annually assess the progress and commercial viability in seeking to appoint a female director who can add to the skill set of the Board.

**Share Trading Policy**

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

Directors are required to give prior notice to the 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 2 days of each such transaction.

**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.

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**CORPORATE GOVERNANCE STATEMENT**

**Shareholder Communication**

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

- 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 shareholder meetings and investor relations presentations; and
- By posting relevant information on the Company website.

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

**Rights of Shareholders**

The Board of Directors has developed a strategy within its Continuous Disclosure Policy to ensure that shareholders are informed of all major developments affecting the Company's performance, activities and state of affairs. This includes having a website to facilitate communication with shareholders via electronic methods. In addition, the Company publishes regular shareholder communications, such as half-yearly and annual reports and provides shareholders with an opportunity to access such reports and other releases electronically.

The Board encourages full participation of shareholders at the Company's annual general meeting to ensure a high level of accountability and identification with the Company's strategy. The external auditor will also be invited to attend the annual general meeting of shareholders and will be available to answer any questions concerning the conduct, preparation and content of the auditor's report.

**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 application by the Manager 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 related developments that may impact on the Company's investments.

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

The Manager provides half yearly the declarations required by Section 295A of the *Corporations Act 2001* and confirms that in its opinion the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view, 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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**CORPORATE GOVERNANCE STATEMENT**

**Performance Evaluation**

Since the listing of the Company on 6 May 2011, a performance evaluation of the Board and its individual members has not yet taken place. 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.

**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.

Remuneration of the directors during the year ended 30 June 2012 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 shareholder 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)

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**FOR THE YEAR ENDED 30 JUNE 2012**

**DIRECTORS' REPORT**

Your directors present their report, together with the financial statements of the Company for the year ended 30 June 2012.

**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 Secretaries**

The names of the Company Secretaries in office at the date of this report are Ms Hannah Chan and Ms Karen Luu.

**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 invested in a portfolio of investment grade Australian corporate bonds. The corporate bonds in the portfolio have a total face value of \$63.83 million.

The profit of the Company after providing for income tax amounted to \$3,884,896 (2011: \$4,141,494). The net assets of the Company was \$65,355,765 as at 30 June 2012; an decrease of \$11,850,475 since 30 June 2011. The net asset value per share at 30 June 2012 was \$83.53 (30 June 2011: \$98.67).

As approved by shareholders at the general meeting held on 27 March 2012, the First Capital Return of \$14.86 was paid on 17 April 2012.

The weighted average number of ordinary shares for the year was 782,465. The basic and diluted earnings per share after tax was \$4.96 compared to \$5.29 for the previous year.

**Dividends Paid or Recommended**

Fully franked dividend of \$2.95 per share paid on 15 December 2011 was \$2,308,272 and \$2.30 per share paid on 17 April 2012 was \$1,799,669.

**Significant Changes in State of Affairs**

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

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**DIRECTORS' REPORT**

**After Balance Date Events**

There have not arisen in the interval between the end of the financial year and the date of this report any item, transaction or 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 undertake its activities described in this report.

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

**Environmental Issues**

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

**Options**

No options over issued shares or interests in the Company were granted during or since the end of the financial period 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 all directors and the auditor of the Company.

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**DIRECTORS' REPORT**

**Information on Directors**

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

Non-Executive Chairman of Directors

Max is regarded as one of Australia's leading economics and business journalists. He has specialised 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 has also served on the board of Northern Star TV (predecessor to Channel Ten).

Max serves as Chairman of the Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund No 1 Limited, Australian Masters Yield Fund No 2 Limited and Australian Masters Yield Fund No 3 Limited. Further Max serves as Non-Executive Chairman of Asian Masters Fund Limited and Global Resource Masters Fund Limited. Max also serves as a director of Australian Governance Masters Index Fund Limited.

Max is presently Deputy Chairman of Dixon Advisory & Superannuation Services Limited. Dixon Advisory & Superannuation Services Limited is the Manager of the Australian Governance Masters Index Fund Limited, Asian Masters Fund Limited, Global Resource Masters Fund Limited, Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund Series and the Responsible Entity for US Masters Residential Property Fund and the US Select Private Opportunities Fund.

- Appointed as non-executive director and chairman on 3 September 2009
- Directly holds 1 and beneficially holds 8,000 fully paid ordinary shares in the capital of the Company
- During the past three years has acted as a non-executive director of the following Australian listed public companies:
  - Asian Masters Fund Limited since 10 October 2007
  - Global Resource Masters Fund Limited since 20 November 2008
  - Australian Masters Corporate Bond Fund No 1 Limited since 18 March 2008
  - Australian Masters Corporate Bond Fund No 2 Limited since 7 August 2008
  - Australian Masters Corporate Bond Fund No 3 Limited since 23 December 2008
  - Australian Masters Corporate Bond Fund No 4 Limited since 23 December 2008
  - Australian Governance Masters Index Fund Limited since 30 November 2009

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**DIRECTORS' REPORT**

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

Non-Executive Director

Daryl is a graduate in economics of Cambridge and Queensland Universities. 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 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 is a director of the Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund No 1 Limited, Australian Masters Yield Fund No 2 Limited and Australian Masters Yield Fund No 3 Limited.

Daryl is Executive Chairman of Dixon Advisory & Superannuation Services, a financial advisory firm he founded in 1986 which has now over \$4 billion of funds under administration. Dixon Advisory & Superannuation Services Limited is the Manager of the Australian Governance Masters Index Fund Limited, Asian Masters Fund Limited, Global Resource Masters Fund Limited, Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund Series and the Responsible Entity for US Masters Residential Property Fund and the US Select Private Opportunities Fund.

- Appointed as non-executive director on 3 September 2009
- Beneficially holds 1,000 fully paid ordinary shares in the capital of the Company
- During the past three years has acted as a non-executive director of the following Australian listed public companies:
  - Asian Masters Fund Limited since 10 October 2007 until 31 December 2010
  - Global Resource Masters Fund Limited since 20 November 2008 until 8 June 2010
  - Australian Masters Corporate Bond Fund No 1 Limited since 18 March 2008
  - Australian Masters Corporate Bond Fund No 2 Limited since 7 August 2008
  - Australian Masters Corporate Bond Fund No 3 Limited since 23 December 2008
  - Australian Masters Corporate Bond Fund No 4 Limited since 23 December 2008

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**DIRECTORS' REPORT**

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

Non-Executive Director

Alan has been providing financial advisory services to corporations, institutions and individuals for the last 15 years. Until December 2000, he worked for various investment banks, including ABN AMRO, where he was the Associate Director in Mergers and Acquisitions and Equity Capital Markets, and Ord Minnett Corporate Finance. Since January 2001, he has operated as Managing Director of Dixon Advisory Group Limited.

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 currently serves as a director of the Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund No 1 Limited, Australian Masters Yield Fund No 2 Limited and Australian Masters Yield Fund No 3 Limited.

Alan is presently director of Dixon Advisory & Superannuation Services Limited. Dixon Advisory & Superannuation Services Limited is the Manager of the Australian Governance Masters Index Fund Limited, Asian Masters Fund Limited, Global Resource Masters Fund Limited, Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund Series and the Responsible Entity for US Masters Residential Property Fund and the US Select Private Opportunities Fund.

- Appointed as non-executive director on 3 September 2009
- Beneficially holds 2,100 fully paid ordinary shares in the capital of the Company.
- During the past three years has acted as a non-executive director of the following Australian listed public companies:
  - Asian Masters Fund Limited since 10 October 2007 until 31 December 2010
  - Global Resource Masters Fund Limited since 20 November 2008 until 8 June 2010
  - Australian Masters Corporate Bond Fund No 1 Limited since 18 March 2008
  - Australian Masters Corporate Bond Fund No 2 Limited since 7 August 2008
  - Australian Masters Corporate Bond Fund No 3 Limited since 23 December 2008
  - Australian Masters Corporate Bond Fund No 4 Limited since 23 December 2008
  - van Eyk Three Pillars Limited from 29 September 2009 until 31 October 2011

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**DIRECTORS' REPORT**

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

Non-Executive Director

Chris serves as Managing Director; Chief Operating Officer at Dixon Advisory. 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 mergers & acquisitions 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 chemical, health care, consumer products, media, telecoms, technology, insurance and utilities. Before joining UBS, Chris also worked in the Investment Banking Division of ABN AMRO where he focused on mergers and acquisitions along with capital markets advice to companies in the Australian property sector.

Before his career in investment banking, Chris worked for a Sydney based property funds management company and a chemical engineering and design company. Chris has a Bachelor of Chemical Engineering with 1<sup>st</sup> Class honours and a Bachelor of Commerce both from Sydney University.

Chris is a director of the Australian Masters Corporate Bond Fund Series and the Australian Masters Yield Fund Series and a director of Dixon Advisory & Superannuation Services Limited. Dixon Advisory & Superannuation Services Limited is the Manager of the Australian Governance Masters Index Fund Limited, Asian Masters Fund Limited, Global Resource Masters Fund Limited, Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund Series and the Responsible Entity for US Masters Residential Property Fund and the US Select Private Opportunities Fund.

- Appointed as non-executive director on 3 September 2009
- Beneficially holds 400 fully paid ordinary shares in the capital of the Company
- During the past three years has acted as a non-executive director of the following Australian listed public companies:
  - Australian Masters Corporate Bond Fund No 1 Limited since 18 September 2009
  - Australian Masters Corporate Bond Fund No 2 Limited since 18 September 2009
  - Australian Masters Corporate Bond Fund No 3 Limited since 23 December 2008
  - Australian Masters Corporate Bond Fund No 4 Limited since 23 December 2008
  - van Eyk Three Pillars Limited from 29 September 2009 until 31 October 2011

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**DIRECTORS' REPORT**

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

Non-Executive Director

Alex MacLachlan is a Non-Executive Director of Global Resource Masters Fund Limited, Asian Masters Fund Limited, the Australian Masters Yield Fund Series, the Australian Masters Corporate Bond Fund Series and Australian Governance Masters Index Fund Limited.

Alex is a director of Dixon Advisory & Superannuation Services Limited. Dixon Advisory & Superannuation Services Limited is the Manager of the Australian Governance Masters Index Fund Limited, Asian Masters Fund Limited, Global Resource Masters Fund Limited, Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund Series and the Responsible Entity for US Masters Residential Property Fund and the US Select Private Opportunities Fund.

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 with 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.

Prior to 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 Masters of Business Administration from The Wharton School, University of Pennsylvania.

- Appointed as non-executive director on 3 September 2009
- During the past three years has acted as a non-executive director of the following Australian listed public companies:
  - Global Resource Masters Fund Limited since 20 November 2008
  - Asian Masters Fund Limited since 23 September 2009
  - Australian Masters Corporate Bond Fund No 1 Limited since 18 September 2009
  - Australian Masters Corporate Bond Fund No 2 Limited since 18 September 2009
  - Australian Masters Corporate Bond Fund No 3 Limited since 23 December 2008
  - Australian Masters Corporate Bond Fund No 4 Limited since 23 December 2008
  - van Eyk Three Pillars Limited from 29 September 2009 until 31 October 2011

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**FOR THE YEAR ENDED 30 JUNE 2012**

**DIRECTORS' REPORT**

**Information on Company Secretaries**

**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 also a Chartered Accountant with the Institute of Chartered Accountants in Australia. Prior to joining the Manager, Hannah gained extensive audit experience whilst working with Deloitte Touche Tohmatsu and Ernst & Young.

- Appointed as Company Secretary on 22 March 2010

**Karen Luu** BEc (UNSW), CA

Company Secretary

Karen has a Bachelor of Economics degree majoring in Accounting and Economics from the University of NSW. She is also a Chartered Accountant with the Institute of Chartered Accountants in Australia. She is concurrently the Company Secretary of Australian Masters Corporate Bond Fund No 4 Limited, Australian Masters Corporate Bond Fund No 5 Limited, Australian Masters Yield Fund Series and Australian Governance Masters Index Fund Limited.

- Appointed as Company Secretary on 1 February 2012

**Directors' Meetings**

Attendance of individual directors at board meetings held during the year ended 30 June 2012 was as follows:

	<b>Meetings Held</b>	<b>Meetings Attended</b>
Maximilian Walsh	4	4
Daryl Dixon	4	4
Alan Dixon	4	3
Christopher Brown	4	4
Alexander MacLachlan	4	4

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**DIRECTORS' REPORT**

**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.

**(b) Key Management Personnel Remuneration**

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

**2012**

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

**2011**

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

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**DIRECTORS' REPORT**

**(c) Service Agreements**

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

**(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**

As 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	-

**Auditor's Independence Declaration**

A copy of the lead auditor's independence declaration for the year ended 30 June 2012 as required under Section 307C of the *Corporations Act 2001* is set out on page 16.

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**DIRECTORS' REPORT**

**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.

**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; and
- 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 2012.

	\$
Tax compliance	6,407
	<b>6,407</b>

Signed in accordance with a resolution of the Board of Directors:



Director: \_\_\_\_\_  
Mr Maximilian Sean Walsh – Chairman

Dated this 27<sup>th</sup> day of August 2012

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

27 August 2012

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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**Michael Kaplan**  
Partner  
Chartered Accountant

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	2012 \$	2011 \$
Revenue	2	5,985,725	6,393,442
Gain on disposal of financial asset		33,303	-
Management fee		(354,485)	(354,534)
Listing fees		(33,658)	(46,200)
Registry fees		(29,200)	(12,169)
Legal and compliance fees		(16,539)	(19,679)
Other expenses		(40,134)	(39,934)
<b>Profit before income tax</b>		<b>5,545,012</b>	<b>5,920,926</b>
Income tax expense	3	(1,660,116)	(1,779,432)
<b>Profit for the year</b>		<b>3,884,896</b>	<b>4,141,494</b>
<b>Other comprehensive income</b>		-	-
<b>Total other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		<b>3,884,896</b>	<b>4,141,494</b>
<b>Earnings per share</b>			
<b>Basic earnings per share</b>	12	<b>4.96</b>	<b>5.29</b>
<b>Diluted earnings per share</b>	12	<b>4.96</b>	<b>5.29</b>

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**AS AT 30 JUNE 2012**

**STATEMENT OF FINANCIAL POSITION**

	Note	2012 \$	2011 \$
<b>Assets</b>			
<i>Current</i>			
Cash and cash equivalents	5	1,459,810	2,061,860
Other receivables	6	92,668	34,824
Prepayments		-	484
Current tax assets	7	110,818	144,479
Financial assets	8	3,512,414	-
<b>Total Current Assets</b>		<b>5,175,710</b>	<b>2,241,647</b>
<i>Non-Current</i>			
Financial assets	8	60,067,925	74,791,189
Deferred tax assets	9	124,038	183,404
<b>Total Non-current Assets</b>		<b>60,191,963</b>	<b>74,974,593</b>
<b>Total Assets</b>		<b>65,367,673</b>	<b>77,216,240</b>
<b>Liabilities</b>			
<i>Current</i>			
Other payables	10	11,908	10,000
<b>Total Current Liabilities</b>		<b>11,908</b>	<b>10,000</b>
<b>Total Liabilities</b>		<b>11,908</b>	<b>10,000</b>
<b>Net Assets</b>		<b>65,355,765</b>	<b>77,206,240</b>
<b>Equity</b>			
Issued capital	11	64,875,483	76,502,913
Retained earnings		480,282	703,327
<b>Total Equity</b>		<b>65,355,765</b>	<b>77,206,240</b>

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

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**STATEMENT OF CHANGES IN EQUITY**

	Note	Issued capital \$	Retained earnings \$	Total \$
<b>Balance at</b>				
<b>1 July 2010</b>		<b>76,509,785</b>	<b>505,457</b>	<b>77,015,242</b>
Profit for the year		-	4,141,494	4,141,494
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>4,141,494</b>	<b>4,141,494</b>
Dividend paid	4	-	(3,943,624)	(3,943,624)
Issue costs (net of tax)	11	(6,872)	-	(6,872)
<b>Balance at</b>				
<b>30 June 2011</b>		<b>76,502,913</b>	<b>703,327</b>	<b>77,206,240</b>
<b>Balance at</b>				
<b>1 July 2011</b>		<b>76,502,913</b>	<b>703,327</b>	<b>77,206,240</b>
Profit for the year		-	3,884,896	3,884,896
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>3,884,896</b>	<b>3,884,896</b>
Dividends Paid	4	-	(4,107,941)	(4,107,941)
Capital returns	11	(11,627,430)	-	(11,627,430)
<b>Balance at</b>				
<b>30 June 2012</b>		<b>64,875,483</b>	<b>480,282</b>	<b>65,355,765</b>

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

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**FOR THE YEAR ENDED 30 JUNE 2012**

**STATEMENT OF CASH FLOWS**

	Notes	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Interest received from bank		277,248	219,330
Interest received from investments		5,180,528	5,773,300
Management fees paid		(380,423)	(380,475)
Payments to suppliers		(123,371)	(126,189)
Net tax paid		(1,536,251)	(1,966,889)
Net cash flows provided by operating activities	13(a)	3,417,731	3,519,077
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments		14,715,590	-
Payments for purchase of investments		(3,000,000)	(7,217,093)
Net cash flows provided by/(used in) investing activities		11,715,590	(7,217,093)
<b>Cash flows from financing activities</b>			
Dividends paid	4	(4,107,941)	(3,943,624)
Capital Returns	11	(11,627,430)	-
Payments of issue costs		-	(10,535)
Net cash flows (used in) financing activities		(15,735,371)	(3,954,159)
<b>Net decrease in cash and cash equivalents</b>		<b>(602,050)</b>	<b>(7,652,175)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,061,860</b>	<b>9,714,035</b>
<b>Cash and cash equivalents at end of the year</b>	13(b)	<b>1,459,810</b>	<b>2,061,860</b>

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

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

The financial report covers Australian Masters Corporate Bond Fund No 5 Limited ("the 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 (ASX).

The financial report has been approved for issue in accordance with a resolution of the Directors on 27 August 2012.

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 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 report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**New Accounting Standards and Interpretations**

*Standards and Interpretations affecting the reported results or financial position*

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reported results or financial position.

*Accounting Standards and Interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2012 are outlined in the table below:

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**New Accounting Standards and Interpretations (cont.)**

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
• AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
• AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
• AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
• AASB 119 'Employee Benefits'(2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
• AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
• AASB 128 'Investments in Associates and Joint Ventures'	1 January 2013	30 June 2014
• AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
• AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
• Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	30 June 2014
• AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
• AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**New Accounting Standards and Interpretations (cont.)**

<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>
At the date of authorisation of the financial statements, the following IASBs were also in issue but not effective, although Australian equivalent Standards have not yet been issued:		
<ul style="list-style-type: none"><li>• Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)</li></ul>	1 January 2015	30 June 2016
<ul style="list-style-type: none"><li>• Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)</li></ul>	1 January 2013	30 June 2014

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**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, as at the end of the reporting period. Current tax liabilities (assets) are therefore 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**

**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**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. Adoption of this standard has had no effect on the reported results or financial position of the company.

**(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**

**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**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 amount for which an asset could be sold or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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.

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**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**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.

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**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 Judgments**

The directors evaluate estimates and judgments 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, 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 judgment.

In making this judgment, 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 factors such as 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.

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**2. Revenue**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Interest from investments in corporate bonds	5,712,180	6,197,721
Interest from banks	259,798	187,281
Other income	13,747	8,440
	<b>5,985,725</b>	<b>6,393,442</b>

**3. Income Tax Expense**

(a) The components of tax expense comprise:

Current tax	1,604,138	1,719,344
Deferred tax	59,366	60,088
Over provision from previous years	(3,388)	-
	<b>1,660,116</b>	<b>1,779,432</b>

(b) Prima facie tax on profit from ordinary activities before income tax at 30%	1,663,504	1,776,278
(Less)/Add tax effect of:		
Other	(3,388)	3,154
	<b>1,660,116</b>	<b>1,779,432</b>

The applicable weighted average effective tax rates are	30%	30%
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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**4. Dividends Paid**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Distributions paid</b>		
Fully franked dividend of \$2.20 per share paid on 3 November 2010	-	1,721,423
Fully franked dividend of \$2.84 per share paid on 15 April 2011	-	2,222,201
Fully franked dividend of \$2.95 per share paid on 15 December 2011	2,308,272	-
Fully franked dividend of \$2.30 per share paid on 17 April 2012	1,799,669	-
	<b>4,107,941</b>	<b>3,943,624</b>
Total dividends per share for the year	<b>5.25</b>	<b>5.04</b>

The tax rate at which paid dividends have been franked is 30%.

**Franking credit balance**

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

- Franking account balance as at the end of the financial year at 30%	141,000	334,459
- Franking (debits) that will arise from income tax (refundable) as at the end of the financial year	(110,818)	(144,479)
	<b>30,182</b>	<b>189,980</b>

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**5. Cash and Cash Equivalents**

	2012	2011
	\$	\$
<b>Current</b>		
Cash at bank and in hand	1,459,810	2,061,860
	<b>1,459,810</b>	<b>2,061,860</b>

The weighted average interest rate on cash at bank is 2.81% (2011: 3.73%) as at year end.

**6. Other Receivables**

<b>Current</b>		
GST receivable	2,493	1
Interest receivable	31,120	34,823
Coupon receivable	59,055	-
	<b>92,668</b>	<b>34,824</b>

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

**7. Current Tax Assets**

<b>Current</b>		
Current tax assets	110,818	144,479
	<b>110,818</b>	<b>144,479</b>

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. Financial Assets**

					2012	
					\$	\$
<b>Current</b>						
<b>a) Amortised Cost</b>						
<b>Corporate Bonds</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>		<b>Face Value</b>		<b>Amortised Cost</b>
<u>Fixed Rate</u>						
Volkswagen	26-Nov-12	7.25%		3,000,000		3,017,791
Stockland Property	15-May-13	6.00%		500,000		494,623
				<b>3,500,000</b>		<b>3,512,414</b>
<b>Non-Current</b>						
<b>a) Amortised Cost</b>						
<b>Corporate Bonds</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>		<b>Face Value</b>		<b>Amortised Cost</b>
<u>Fixed Rate</u>						
GPT Management	22-Aug-13	6.50%		1,000,000		996,882
Leighton Finance	28-Jul-14	9.50%		6,900,000		7,242,475
AMP Capital	05-Oct-14	8.00%		3,500,000		3,551,257
CFS Retail	22-Dec-14	6.25%		2,400,000		2,307,398
Stockland Property	18-Feb-15	8.50%		18,190,000		18,715,738
Mirvac	15-Mar-15	8.25%		2,300,000		2,369,726
Santos Finance	23-Sep-15	6.25%		6,000,000		5,757,386
Envestra Victoria	14-Oct-15	6.25%		2,500,000		2,255,086
Australia Pacific Airports	14-Dec-15	6.00%		1,000,000		899,688
<u>Floating Rate</u>						
Brisbane Airport Corp.	11-Dec-13	3M BBSW + 0.61%		5,000,000		4,849,176
Goldman Sachs	24-Jun-14	3M BBSW + 0.44%		2,500,000		2,399,806
Dexus Finance	28-Jul-14	3M BBSW + 4.5%		2,500,000		2,644,322
Sydney Airport Finance	20-Nov-14	3M BBSW + 0.49%		3,030,000		2,858,876
Australia Pacific Airports	14-Dec-15	3M BBSW + 0.25%		3,510,000		3,220,109
				<b>60,330,000</b>		<b>60,067,925</b>

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. Financial Assets (cont.)**

			2011	
			\$	\$
<b>Non-Current</b>				
<b>a) Amortised Cost</b>				
<b>Corporate Bonds</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>	<b>Face Value</b>	<b>Amortised Cost</b>
<u>Fixed Rate</u>				
Volkswagen	26-Nov-12	7.25%	3,000,000	3,012,754
Stockland Property	15-May-13	6.00%	500,000	484,747
GPT Management	22-Aug-13	6.50%	1,000,000	976,077
Downer Group	29-Oct-13	9.75%	11,400,000	11,694,984
Leighton Finance	28-Jul-14	9.50%	6,900,000	7,269,952
AMP Capital	05-Oct-14	8.00%	3,500,000	3,545,707
CFS Retail	22-Dec-14	6.25%	2,400,000	2,273,789
Stockland Property	18-Feb-15	8.50%	18,190,000	18,700,129
Mirvac	15-Mar-15	8.25%	2,300,000	2,374,082
Santos Finance	23-Sep-15	6.25%	6,000,000	5,668,313
Envestra Victoria	14-Oct-15	6.25%	2,500,000	2,187,220
Australia Pacific Airports	14-Dec-15	6.00%	1,000,000	875,622
<u>Floating Rate</u>				
Brisbane Airport Corp.	11-Dec-13	3M BBSW + 0.61%	5,000,000	4,745,580
Goldman Sachs	24-Jun-14	3M BBSW + 0.44%	2,500,000	2,354,911
Dexus Finance	28-Jul-14	3M BBSW + 4.5%	2,500,000	2,689,484
Sydney Airport Finance	20-Nov-14	3M BBSW + 0.49%	3,030,000	2,790,119
Australia Pacific Airports	14-Dec-15	3M BBSW + 0.25%	3,510,000	3,147,719
			<b>75,230,000</b>	<b>74,791,189</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**9. Deferred Tax Assets**

	2012	2011
	\$	\$
<b>Non-Current</b>		
Deferred tax assets comprise:		
Transaction costs on equity issue	120,466	180,404
Other	3,572	3,000
	<b>124,038</b>	<b>183,404</b>

**10. Current Liabilities**

<b>Current</b>		
Accrued expenses	11,908	10,000
	<b>11,908</b>	<b>10,000</b>

**11. Issued Capital**

782,465 (2011: 782,465) fully paid ordinary shares	64,875,483	76,502,913
	<b>64,875,483</b>	<b>76,502,913</b>

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. Issued Capital (cont.)**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Issued shares</b>		
Balance at the beginning of the year	76,502,913	76,509,785
Transaction costs (net of tax)	-	(6,872)
First Capital Return of \$14.86 per share paid on 17 April 2012	(11,627,430)	-
	<b>64,875,483</b>	<b>76,502,913</b>
<b>(b) Movement in ordinary shares</b>		
<b>Date</b>	<b>Details</b>	<b>No.</b>
1 July	Opening balance	782,465
30 June	Closing balance	<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.

At shareholders 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 appreciation over the longer term.

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

The Company's capital consists of shareholders' equity plus financial liabilities. The movement in equity is shown in the Statement of Changes in Equity. At 30 June 2012, financial liabilities was \$1,608 (2011: \$Nil). 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.

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**12. Earnings per Share**

**(a) Earnings used in calculating earnings per share**

	2012	2011
	\$	\$
Profit from continuing operations used to calculate basic and diluted earnings per share	3,884,896	4,141,494

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

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	<b>782,465</b>	<b>782,465</b>

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

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**13. Cash Flow Information**

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

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Profit after tax	3,884,896	4,141,494
Add / (less):		
Accrued interest on corporate bonds	(472,597)	(424,421)
Gain on disposal of financial assets	(33,303)	
Changes in assets and liabilities:		
(Increase) / decrease in receivables and prepayment	(56,200)	46,170
Decrease in deferred tax assets	59,366	60,088
Decrease in income tax refundable	33,661	-
Increase / (Decrease) in trade payables and accruals	1,908	(500)
(Decrease) in income taxes payable	-	(303,754)
<b>Cash flow from operations</b>	<b>3,417,731</b>	<b>3,519,077</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 30 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	1,459,810	2,061,860
	<b>1,459,810</b>	<b>2,061,860</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**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:

Dixon Advisory & Superannuation Services Limited

Mr Maximilian Walsh, Mr Daryl Dixon, Mr Alan Dixon, Mr Christopher Brown and Mr Alexander MacLachlan are directors of the Company and directors of the Manager and Issue Manager, Dixon Advisory & Superannuation Services Limited. The Manager is entitled to receive a management fee of 0.45% per annum of the value of the Portfolio.

(a) Key Management Personnel Related Entity Transaction

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

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

(b) Management Fee

As the Manager of Australian Masters Corporate Bond Fund No 5 Limited, a management fee paid or payable to Dixon Advisory & Superannuation Services Limited for the year was \$380,423 (2011: \$380,475) inclusive of GST. No management fees are outstanding to the Manager at the year end.

(c) Transaction Costs

In connection with the provision of services as Issue Manager, the Issue Manager is entitled to receive commission and handling fees of 1.25% of the total funds raised in share placements. The handling fee and commission for the year ended 30 June 2012 were \$Nil (2011: \$Nil). No transaction costs are payable to the Manager at the year end.

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**16. 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

	<b>Balance at 1 July 2011</b>	<b>Received as remuneration</b>	<b>Net change other</b>	<b>Balance at 30 June 2012</b>
<b>Directors</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Maximilian Walsh	8,001	-	-	8,001
Daryl Dixon	2,100	-	-	2,100
Alan Dixon	2,100	-	-	2,100
Christopher Brown	400	-	-	400
Alexander MacLachlan	-	-	-	-
<b>Total</b>	<b>12,601</b>	<b>-</b>	<b>-</b>	<b>12,601</b>

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**17. 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 2012, approximately 73% of the financial assets are at a fixed rate and 27% of the financial assets are at a floating rate.

(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 as and when they fall due.

The Company has no borrowings as at 30 June 2012 and cash inflows from coupons from the 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 2012.

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**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

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

*(b) Financial Instruments*

(i) Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts will not reconcile to the statement of financial position.

	<b>2012</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	
Financial Assets	<u>                    </u>	
Cash and cash equivalents	1,459,810	2.81%
Other receivables	92,668	-
Investment in corporate bonds	75,811,176	8.03%
	<u>77,363,654</u>	
	<b>2011</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	
Financial Assets	<u>                    </u>	
Cash and cash equivalents	2,061,860	3.73%
Other receivables	34,824	-
Investment in corporate bonds	95,236,992	8.24%
	<u>97,333,676</u>	

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**NOTES TO THE FINANCIAL STATEMENTS**

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

	Within 1 year	1 to 5 years	Over 5 years	Total
<b>30 June 2012</b>				
<b>Financial Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	1,459,810	-	-	1,459,810
Other receivables	92,668	-	-	92,668
Investment in corporate bonds	7,891,128	67,920,048	-	75,811,176
<b>Total Financial Assets</b>	<b>9,443,606</b>	<b>67,920,048</b>	<b>-</b>	<b>77,363,654</b>

	Within 1 year	1 to 5 years	Over 5 years	Total
<b>30 June 2011</b>				
<b>Financial Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	2,061,860	-	-	2,061,860
Other receivables	34,824	-	-	34,824
Investment in corporate bonds	5,836,406	89,400,586	-	95,236,992
<b>Total Financial Assets</b>	<b>7,933,090</b>	<b>89,400,586</b>	<b>-</b>	<b>97,333,676</b>

(ii) Net Fair Values

The net fair values of:

- Bonds are 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, similar instruments and pricing models. The aggregate fair value is \$67,208,266 at 30 June 2012 (2011: \$77,058,678).
- Other assets and other liabilities approximate their carrying value.

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**NOTES TO THE FINANCIAL STATEMENTS**

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

(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 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Change in profit before tax</b>		
Increase in interest rate by 1%		
- Cash at bank	14,789	43,917
- Financial assets	167,534	159,178
Decrease in interest rate by 1%		
- Cash at bank	(14,789)	(43,917)
- Financial assets	(164,836)	(159,191)
<b>Change in equity</b>		
Increase in interest rate by 1%		
- Cash at bank	14,789	43,917
- Financial assets	167,534	159,178
Decrease in interest rate by 1%		
- Cash at bank	(14,789)	(43,917)
- Financial assets	(164,836)	(159,191)

**18. 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 by Deloitte Private Pty Ltd is \$16,500 for the year ended 30 June 2012 (2011: \$15,500). Tax and other services for the year ended 30 June 2012 amount to \$6,407 (2011: \$8,740).

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED  
ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTES TO THE FINANCIAL STATEMENTS**

**19. Contingent Liabilities**

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

**20. Capital Commitments**

The Company has no capital commitments at balance date.

**21. Events After The Reporting Period**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or 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.

**22. 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

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**FOR THE YEAR ENDED 30 JUNE 2012**

**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. The financial report as set out in pages 17 to 44 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 13 to 14, are in accordance with the *Corporations Act 2001*, including:
  - a. Giving a true and fair view of the Company's financial position as at 30 June 2012 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*.
2. The directors of the Manager, Dixon Advisory & Superannuation Services 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; and
  - c. The financial statements and notes for the financial year give a true and fair view.
3. As 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 as and when they become due and payable.

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

On behalf of the Directors



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Mr Maximilian Sean Walsh – Chairman  
Date: 27 August 2012

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

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 2012, the statement of 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 17 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 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 company'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 company'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.

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## *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, the financial report of Australian Masters Corporate Bond Fund No 5 Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## *Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 13 to 14 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Michael Kaplan  
Partner  
Chartered Accountants  
Sydney, 27 August 2012

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**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**STOCK EXCHANGE INFORMATION**

**Statement of quoted securities as at 31 July 2012**

- There are 1,459 shareholders holding a total 782,465 ordinary fully paid shares.
- The 20 largest shareholders between them hold 10.476% 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 as at 31 July 2012**

<b>Distribution of Shareholders Category (size of holding)</b>	<b>Number of Shareholders</b>
1 – 1,000	1,303
1,001 – 5,000	152
5,001 – 10,000	4
10,001 – 100,000	0
100,001 – and over	0
Total Holders	1,459

**Substantial shareholdings as at 31 July 2012**

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

**Directors' shareholdings**

As at 30 June 2012 directors of the Company held a relevant interest in the following securities on issue by the Company.

<b>Director</b>	<b>Ordinary shares</b>
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.

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**STOCK EXCHANGE INFORMATION**

Top 20 holders of ordinary shares at 31 July 2012

Shareholder Name	Number of Shares Held	% of Total
THE BRAD SHOFRER 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 SHOFRER FAMILY TRUST	5,000	0.639
ROCKY POINT SUPER FUND A/C	4,850	0.620
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
KIERS & MENSCH S/F A/C	3,250	0.415
BERNARD G RENWICK S/F A/C	3,100	0.396
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
TRIANGLE SUPER FUND A/C	2,780	0.355
THE GALLERY SUPER FUND A/C	2,675	0.342
HELEN & ROGER ALLNUTT SF A/C	2,600	0.332
THE SOMMER GROUP S/FUND A/C	2,600	0.332
<b>Total held by top 20 holders of ordinary shares</b>	<b>81,976</b>	<b>10.476</b>

**AUSTRALIAN MASTERS CORPORATE BOND FUND NO 5 LIMITED**  
**ABN 57 139 247 564**

**ADDITIONAL DISCLOSURES**

*Transactions*

There were no transactions in securities during the reporting period.

*Management Agreement*

The Company's investment activities are managed on an exclusive basis by Dixon Advisory & Superannuation Services Limited (**Manager**). The management agreement is dated 6 October 2009 (**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 1 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 after the first anniversary of the Commencement Date by giving to the Company at least 6 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 1 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 3 months' prior written notice.

A copy of the summarised Management Agreement, as included in the prospectus, can be obtained from the Company's website ([www.corporatebondfund.com.au](http://www.corporatebondfund.com.au))

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ANNUAL REPORT  
2012

