

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

CONTENTS

Chairman's Letter	i
Corporate Governance	1
Directors' Report	5
Auditor's Independence Declaration	16
Statement of Profit or Loss and Other Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration	46
Independent Auditor's Report	47
Additional Securities Exchange Disclosures	49
Corporate Directory	52

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

CHAIRMAN'S LETTER

FOR THE YEAR ENDED 30 JUNE 2014

Welcome to the Annual Report for the Australian Masters Yield Fund No 3 Limited ('**AMYF3**' or the '**Company**') for the financial year ended 30 June 2014 (**FY14**). The Company is part of the Australian Masters Yield Fund Series ('**AMYF Series**' or '**the Funds**').

OVERVIEW

At 30 June 2014, the Company was invested in 10 different income securities issued by Australian and international companies, with a face value totalling \$93.4 million. At the time of purchase, the income securities had gross yields to maturity (YTM) of between 7.1% and 13.1%.

The profit of the Company after providing for income tax amounted to \$4,959,860 (2013: \$4,821,950). The net asset value per share of the Company at 30 June 2014 was \$93.97 per share (2013: \$100.64 per share). The earnings per share (EPS) was calculated as \$5.08 (2013: \$4.94).

During the year, the Company paid four fully franked dividends of \$1.25 per share in August 2013, \$1.15 per share in November 2013, \$1.10 per share in February 2014 and \$1.24 per share in May 2014. The Company also announced a fully franked dividend of \$1.20 per share on 31 July 2014 that has been paid in August 2014. As at 30 June 2014, the Company has returned \$7.01 per share of capital to shareholders.

The table below outlines the holdings of the Company at 30 June 2014. All income securities continue to perform in line with expectations.

ISSUER	CALL DATE	MATURITY	FACE VALUE
AMP BANK	21-Dec-17	21-Dec-22	\$7,500,000
AMIT	9-Nov-17	9-Nov-22	\$4,000,000
IMB BUILDING SOCIETY	29-Jun-17	29-Jun-22	\$8,000,000
BANK OF QUEENSLAND	22-Mar-17	22-Mar-22	\$15,000,000
INSURANCE AUSTRALIA GROUP	1-May-17	1-May-19	\$7,975,000
MORGAN STANLEY		9-May-17	\$5,100,000
HBOS PLC (LLOYDS)		1-May-17	\$5,400,000
MORGAN STANLEY		22-Feb-17	\$7,000,000
BANK OF AMERICA		14-Feb-17	\$17,400,000
LOY YANG POWER PROJECTS		12-Nov-15	\$9,895,997
ROYAL BANK OF SCOTLAND		27-Oct-14	\$6,100,000

The expected maturity of the Company is no later than 31 December 2022, after which it is anticipated the Company will be wound up, with all capital returned to shareholders.

COMPANY ACTIVITY

Exposure in the RBS February 2017 subordinated bond held in AMYF3 was redeemed through a corporate buyback offer by RBS. The AMYF3 board and investment manager elected to take up the offer because it was attractive from both a risk and return perspective.

The AMYF3 board and investment manager elected to exercise the note holder put option attached to the FKP Limited investment and the bond was redeemed in full on 5 January 2014. Exercising was the result of prudent risk management and crystallisation of investment value. AMYF3 subsequently returned capital to shareholders in May 2014.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

CHAIRMAN'S LETTER

FOR THE YEAR ENDED 30 JUNE 2014

All existing income securities held within the portfolios of the AMYF Series continue to perform as expected, and pay coupons/dividends accordingly.

GLOBAL MARKETS SUMMARY

Financial markets globally have seen a year marked by low yields, central banks attempting to bolster their respective economies with accommodative monetary policies, and heightened geopolitical events.

In the US, risk assets continue to perform well with the ongoing low rate environment, an improving economic backdrop and ongoing solid corporate results. The measured tapering of the US Federal Reserve (Fed) bond purchase program is expected to be completed in October 2014. As such markets are focusing now on timing of US rate hikes amid a more stable employment environment, inflationary risks and moderate economic growth.

Europe continues to struggle to gain momentum in its recovery, with price stability being a real threat for the region. European Central Bank (ECB) launched its targeted long-term refinancing operation (TLTRO), with the idea to provide banks with cheap funding to help promote credit growth.

The past 12 months have seen increased volatility and tensions in emerging markets, but despite this emerging market equity bourses have rebounded.

DOMESTIC MARKET SUMMARY

The continuation of the low yield environment has continued into FY14, with the RBA maintaining its current approach, electing to leave rates on hold at 2.5%. The central bank remains cautious as a result of mixed domestic and global data. Australian corporate bond yields have continued their downward trend, influenced by high demand globally and domestically for AUD denominated bonds. This has led to a flattening of the interest rate curve and tightening of credit spreads.

New debt issuance at July 2014 remains in line with year to date 2013 numbers. However, a strong theme is the diminishing supply of new bonds below single A rated credits. Furthermore long dated deals have dominated new deal issuance in the kangaroo debt market and with the majority of new issuances being nine years plus in maturities.

As a result of the flattening interest curve and tightening credit spreads, the Bloomberg Australian Corporate Bond BBB five-year composite yield dropped below 5%. Australian corporate debt yields have not been lower since 2000.



Mr Maximilian Sean Walsh
Chairman
29 August 2014

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

Unless disclosed below, all the best practice recommendations as set out in the 2nd Edition of the ASX Corporate Governance Principles and Recommendations have been applied for the entire financial year ended 30 June 2014.

Board Roles and Responsibilities

The Board is responsible for the overall operation, strategic direction, leadership and integrity of Australian Masters Yield Fund No 3 Limited (**Company**) and, in particular, is responsible for the Company's growth and profitability. In meeting its responsibilities, the Board shall undertake the following functions:

- providing and implementing the Company's strategic direction
- 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 2001*
- 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 the Manager is appropriately qualified and experienced to discharge its 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, changed to Walsh & Company Asset Management Pty Limited (**Manager**), effective 30 April 2014, 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".

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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 of conduct 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 two 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.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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
- 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 Manager in the application of the risk management protocols. The Manager is responsible for monitoring the performance and risk parameters of investments and keeping the Board apprised of any market and/or Company-specific developments that may impact on the Company's investments.

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

The Manager provides half-yearly 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.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

Performance Evaluation

The Board will review its performance annually by discussion and by individual communication with the Chairman, and by reference to generally accepted Board performance standards.

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 2014 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.amyf.com.au.

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The directors present their report, together with the financial statements of, Australian Masters Yield Fund No 3 Limited (**Company**) for the year ended 30 June 2014.

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 dollar denominated securities. There were no significant changes in the nature of these activities of the Company during the year.

Results and Review of Operations

The Company was admitted to the official list of the Australian Securities Exchange Limited ("ASX") on 29 October 2013.

The Company is fully invested in a portfolio of Australian dollar denominated securities with a total face value of \$93.4m.

The profit of the Company for the year ended 30 June 2014, after providing for income tax, increased to \$4,959,860 (2013: \$4,821,950). The increase in profit was mainly due to the realised gain on the Royal Bank of Scotland and FKP investments sold throughout the year offsetting the decreased income for the second part of the financial year.

During the year the Company has distributed or provided for fully franked dividends of \$4.74 per share. The net asset value per share of the Company was \$93.97 at 30 June 2014 (2013: \$100.64).

The weighted average number of ordinary shares for the year was 976,386 (2013: 976,386). The basic and diluted earnings per share after tax was \$5.08 compared to \$4.94 for the previous year.

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

Effective 30 April 2014, the investment manager of the Company changed from Dixon Advisory & Superannuation Services Limited (**DASS**) to Walsh & Company Asset Management Pty Limited (**Walsh AM**). Walsh AM is also a member of the Dixon Advisory Group Limited, the parent company of DASS. Walsh AM utilises the same resources of the Dixon Advisory Group Limited as available to DASS to manage the Company.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Dividends Paid or Recommended

During the year, the Company paid four fully franked dividends of \$1.25 per share on 22 August 2013, \$1.15 per share on 25 November 2013, \$1.10 per share on 19 February 2014 and \$1.24 per share on 14 May 2014. The total amount of dividends paid throughout the year was \$4,628,070 (\$4.74 per share).

Significant Changes in State of Affairs

There were no other significant changes in the state of affairs of the Company which occurred during the year ended 30 June 2014.

After Balance Date Events

On 31 July 2014, the Company announced a fully franked dividend of \$1.20 per ordinary share. The dividend was paid to shareholders on 18 August 2014.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial period and the date of this report any other item, transaction or event of 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 is now fully invested and will continue to hold all existing investments until maturity. The Company may seek shareholder approval from time to time to return capital derived from the maturity of its investments to shareholders.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth 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 year, and there were no options outstanding at the date of this report.

Indemnifying Officers or Auditor

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

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

Proceedings on Behalf of 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 part, of those proceedings.

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

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Directors' Meetings

Attendance of individual directors at board meetings held during the year ended 30 June 2014 was as follows:

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

Information on Directors

Maximilian Sean Walsh AM, BEc (USyd)

Non-Executive Chairman of Directors

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

He has been editor and managing editor of The Australian Financial Review and Editor-in-Chief of The Bulletin. He also served on the board of Northern Star TV (predecessor to Channel Ten) and is presently the Deputy Chairman of the Responsible Entity of US Masters Residential Property Fund. Further, Max serves as Chairman for the Australian Masters Yield Fund Series and the Australian Masters Corporate Bond Fund Series, and 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 was appointed as director and non-executive chairman on 10 March 2011.
- He directly holds 1 and beneficially holds 3,000 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:
 - Asian Masters Fund Limited (since 2007)
 - Australian Governance Masters Index Fund Limited (since 2009)
 - Australian Masters Corporate Bond Fund No 1 Limited (since 2008, delisted 14 July 2011)
 - Australian Masters Corporate Bond Fund No 2 Limited (since 2008, delisted 15 July 2011)
 - Australian Masters Corporate Bond Fund No 3 Limited (since 2008, delisted 20 December 2011)
 - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
 - Australian Masters Corporate Bond Fund No 5 Limited (since 2009)
 - Australian Masters Yield Fund No 1 Limited (since 2010)
 - Australian Masters Yield Fund No 2 Limited (since 2010)
 - Global Resource Masters Fund Limited (since 2008)
 - US Masters Residential Property Fund (since 2008)
 - US Select Private Opportunities Fund (since 2008 until 23 April 2014).

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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

Non-Executive Director

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

Daryl has special expertise in personal and self managed super fund strategies, as well as extensive experience as a direct share investor in his own right. Daryl is Executive Chairman of the Responsible Entity of US Masters Residential Property Fund and a director of the Australian Masters Yield Fund 1-3 and the Australian Masters Corporate Bond Fund Series.

Daryl has worked previously for the International Monetary Fund, the Federal Treasury, Department of Finance and the Social Welfare Policy Secretariat. Daryl was also a member of the Fraser Government's Occupational Superannuation Task Force.

- Daryl was appointed as non-executive director on 10 March 2011.
- He beneficially holds 1,000 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:
 - Asian Masters Fund Limited (since 2007 until 31 December 2010)
 - Australian Masters Corporate Bond Fund No 1 Limited (since 2008, delisted 14 July 2011)
 - Australian Masters Corporate Bond Fund No 2 Limited (since 2008, delisted 15 July 2011)
 - Australian Masters Corporate Bond Fund No 3 Limited (since 2008, delisted 20 December 2011)
 - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
 - Australian Masters Corporate Bond Fund No 5 Limited (since 2009)
 - Australian Masters Yield Fund No 1 Limited (since 2010)
 - Australian Masters Yield Fund No 2 Limited (since 2010)
 - US Masters Residential Property Fund (since 2002)
 - US Select Private Opportunities Fund (since 2002 until 23 April 2014).

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Alan Cochrane Dixon BCom (ANU), CA

Non-Executive Director

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

During 2012, Alan re-located to New York and is now the Managing Director and CEO, Dixon Advisory USA. His primary executive responsibility is the day-to-day management of US Masters Residential Property Fund. Alan currently serves as a director of the Australian Masters Yield Fund Series 1 to 3, the Australian Corporate Bond Fund Series and a director of the Responsible Entity of US Masters Residential Property Fund.

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

- Alan was appointed as non-executive director on 10 March 2011.
- He beneficially holds 2,000 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:
 - Asian Masters Fund Limited (since 2007 until 31 December 2010)
 - Australian Masters Corporate Bond Fund No 1 Limited (since 2008, delisted 14 July 2011)
 - Australian Masters Corporate Bond Fund No 2 Limited (since 2008, delisted 15 July 2011)
 - Australian Masters Corporate Bond Fund No 3 Limited (since 2008, delisted 20 December 2011)
 - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
 - Australian Masters Corporate Bond Fund No 5 Limited (since 2009)
 - Australian Masters Yield Fund No 1 Limited (since 2010)
 - Australian Masters Yield Fund No 2 Limited (since 2010)
 - US Masters Residential Property Fund (since 2002)
 - US Select Private Opportunities Fund (since 2002 until 23 April 2014)
 - van Eyk Three Pillars Limited (since 2002 until 31 October 2011).

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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

Non-Executive Director

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

Prior to joining Dixon Advisory, Chris was an Executive Director at UBS AG in the Investment Banking Division in Sydney. Over his 8 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 chemicals, 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 first class honours and a Bachelor of Commerce, both from University of Sydney.

- Chris was appointed as non-executive director on 10 March 2011.
- He beneficially holds 360 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:
 - Australian Masters Corporate Bond Fund No 1 Limited (since 2009, delisted 14 July 2011)
 - Australian Masters Corporate Bond Fund No 2 Limited (since 2009, delisted 15 July 2011)
 - Australian Masters Corporate Bond Fund No 3 Limited (since 2009, delisted 20 December 2011)
 - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
 - Australian Masters Corporate Bond Fund No 5 Limited (since 2009)
 - Australian Masters Yield Fund No 1 Limited (since 2010)
 - Australian Masters Yield Fund No 2 Limited (since 2010)
 - Australian Masters Yield Fund No 4 Limited (since 2011)
 - US Masters Residential Property Fund (since 2011)
 - US Select Private Opportunities Fund (since 2011 until 23 April 2014)
 - van Eyk Three Pillars Limited (since 2009 until 31 October 2011).

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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

Non-Executive Director

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

Alex joined Dixon Advisory in 2008 to lead the Funds Management division. Following his success in growing the division, Alex moved to New York in mid- 2013. He is currently the CEO of Funds Management Dixon Advisory Australia and the Head of Strategy of Dixon Advisory USA.

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

Before specialising in natural resources investment banking, Alex worked in the Japanese Government Bond derivatives markets in London, New York and Sydney.

Alex has a Bachelor of Arts from Cornell University and a Master of Business Administration from The Wharton School, University of Pennsylvania.

- Alex was appointed as non-executive director on 10 March 2011.
- Beneficially holds 50 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted as either a non-executive director or a director of the responsible entity of the following Australian listed public entities:
 - Asian Masters Fund Limited (since 2009)
 - Australian Masters Corporate Bond Fund No 1 Limited (since 2009, delisted 14 July 2011)
 - Australian Masters Corporate Bond Fund No 2 Limited (since 2009, delisted 15 July 2011)
 - Australian Masters Corporate Bond Fund No 3 Limited (since 2009, delisted 20 December 2011)
 - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
 - Australian Masters Corporate Bond Fund No 5 Limited (since 2009)
 - Australian Masters Yield Fund No 1 Limited (since 2010)
 - Australian Masters Yield Fund No 2 Limited (since 2010)
 - Australian Masters Yield Fund No 4 Limited (since 2011)
 - Emerging Markets Master Fund (since 2012)
 - Global Resource Masters Fund Limited (since 2008)
 - US Masters Residential Property Fund (since 2011)
 - US Select Private Opportunities Fund (since 2011)
 - US Select Private Opportunities Fund II (since 2012)
 - van Eyk Three Pillars Limited (since 29 September 2009 until 31 October 2011).

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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 while working with Deloitte Touche Tohmatsu and Ernst & Young.

Hannah was appointed as Company Secretary on 10 March 2011.

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 a Chartered Accountant with the Institute of Chartered Accountants in Australia. Karen is concurrently the Company Secretary of Australian Masters Corporate Bond Fund No 5 Limited, Australian Masters Yield Fund Series, Australian Governance Masters Index Fund Limited, Asian Masters Fund Limited and Global Resource Masters Fund Limited.

Karen was appointed as Company Secretary on 1 February 2012.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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 for the services they perform as directors of the Company. They are also directors of the Manager and Issue Manager. Aside from the directors there are no other key management personnel.

(b) Key Management Personnel's Remuneration

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

2014

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

2013

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

(c) Service Agreements

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

(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.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

Remuneration Report (cont.)

(e) Beneficial and Relevant Interest of Directors in Shares

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

Director	No. of shares
Maximilian Walsh	3,001
Daryl Dixon	1,000
Alan Dixon	2,000
Christopher Brown	360
Alexander MacLachlan	50

(f) Related-Party Transactions

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 Alexander MacLachlan and Mr Christopher Brown are directors of the Company and directors of the Manager and Issue Manager, Dixon Advisory & Superannuation Services Limited.

Walsh & Company Asset Management Pty Limited

Effective 30 April 2014, the Investment Manager of the Company changed from Dixon Advisory & Superannuation Services Limited (DASS) to Walsh & Company Asset Management Pty Limited (Walsh AM). Walsh AM is also a member of the Dixon Advisory Group Limited, the parent company of DASS. Walsh AM utilises the same resources of the Dixon Advisory Group Limited as available to DASS to manage the Company. There was no change in the fee structure for the change in Manager.

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, Walsh AM.

Management Fee

The Manager is entitled to receive an annualised management fee of 0.59% (excluding GST) of the value of the Portfolio. The management fee paid or payable to Dixon Advisory & Superannuation Services Limited for the year was \$532,487 (2013: \$640,599) inclusive of GST. The management fee paid or payable to Walsh & Company Asset Management Pty Limited for the year ended was \$106,498 (2013: Nil). No management fees are outstanding to the Manager at the year-end.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Non-Audit Services

During the year, Deloitte Touche Tohmatsu, the Company's auditor was engaged as the Investigating Accountants for the review of the Company's Information Memorandum issued in connection with the listing of Company's shares on ASX Limited. 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 period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services did not compromise the external auditor's independence for the following reasons:

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

The following fees were paid or payable to Deloitte Touche Tohmatsu and its related parties for non-audit services provided during the year ended 30 June 2014.

	\$
Tax Compliance	2,200
Other	8,400
	10,600

Auditor's Independence Declaration

A copy of the lead auditor's independence declaration for the period ended 30 June 2014 as required under Section 307C of the *Corporations Act 2001* is set out on page 16.

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



Mr Maximilian Sean Walsh

Chairman

29 August 2014

The Board of Directors
Australian Masters Yield Fund No 3 Limited
Level 15
100 Pacific Highway
NORTH SYDNEY NSW 2060

29 August 2014

Dear Board Members

Australian Masters Yield Fund No 3 Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Masters Yield Fund No 3 Limited.

As lead audit partner for the audit of the financial statements of Australian Masters Yield Fund No 3 Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
Revenue	2	6,789,397	7,334,068
Gain on financial assets at fair value through profit or loss		363,660	77,217
Net gain on disposal of financial assets		766,641	-
Management and administration fees	14	(691,305)	(596,922)
Accounting and audit fees		(39,596)	(32,267)
Registry fees		(40,102)	(14,960)
Listing fees		(164,497)	-
Custody fees		(23,896)	(21,991)
Other expenses		(41,271)	(37,624)
Profit before income tax		6,919,031	6,707,521
Income tax expense	3	(1,959,171)	(1,885,571)
Profit for the year		4,959,860	4,821,950
Other comprehensive income		-	-
Total other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		4,959,860	4,821,950
Earnings per share			
Basic earnings per share	12	5.08	4.94
Diluted earnings per share	12	5.08	4.94

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

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	2014 \$	2013 \$
Assets			
<i>Current</i>			
Cash and cash equivalents	5	1,372,937	2,422,513
Other receivables	6	15,767	85,081
Financial assets	7	5,994,563	-
Total Current Assets		7,383,267	2,507,594
<i>Non-Current</i>			
Financial assets	7	84,730,839	96,034,304
Deferred tax assets	8	135,897	333,963
Total Non-Current Assets		84,866,736	96,368,267
Total Assets		92,250,003	98,875,861
Liabilities			
<i>Current</i>			
Other payables	9	37,441	20,555
Current tax liabilities	10	465,898	595,966
Total Current Liabilities		503,339	616,521
Total Liabilities		503,339	616,521
Net Assets		91,746,664	98,259,340
Equity			
Issued capital	11	89,533,034	96,377,500
Retained earnings		2,213,630	1,881,840
Total Equity		91,746,664	98,259,340

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

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	Issued capital \$	Retained earnings \$	Total \$
Balance at 1 July 2012		96,377,500	2,283,555	98,661,055
Profit for the year		-	4,821,950	4,821,950
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	4,821,950	4,821,950
Dividends paid	4	-	(5,223,665)	(5,223,665)
Balance at 30 June 2013		96,377,500	1,881,840	98,259,340
Balance at 1 July 2013		96,377,500	1,881,840	98,259,340
Profit for the year		-	4,959,860	4,959,860
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	4,959,860	4,959,860
Dividends paid	4	-	(4,628,070)	(4,628,070)
Capital returns	11	(6,844,466)	-	(6,844,466)
Balance at 30 June 2014		89,533,034	2,213,630	91,746,664

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

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Interest received from bank		549,105	944,845
Interest received from investments		4,265,747	4,831,611
Dividends received		375,662	422,284
Management fees paid		(638,985)	(640,599)
Receipt from ATO		67,959	51,578
Payments to suppliers		(413,185)	(106,155)
Net tax paid		(1,891,172)	(2,061,806)
Net cash flows provided by operating activities	13(a)	2,315,131	3,441,758
Cash flows from investing activities			
Proceeds from redemption or sale of investments		8,107,829	240,879
Payments for purchase of investments		-	(21,568,369)
Net cash flows provided by/(used in) investing activities		8,107,829	(21,327,490)
Cash flows from financing activities			
Capital return paid	11	(6,844,466)	-
Dividends paid	4	(4,628,070)	(5,223,665)
Net cash flows (used in)/provided by financing activities		(11,472,536)	(5,223,665)
Net (decrease) in cash and cash equivalents		(1,049,576)	(23,109,397)
Cash and cash equivalents at the beginning of the year		2,422,513	25,531,910
Cash and cash equivalents at end of the year	13(b)	1,372,937	2,422,513

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

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The financial report covers Australian Masters Yield Fund No 3 Limited (**Company**) as an individual entity. Australian Masters Yield Fund No 3 Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Limited (**ASX**).

The financial report has been approved for issue in accordance with a resolution of the Directors on 29 August 2014.

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

1. Summary of Significant Accounting Policies

Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial 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. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The comparative period is the period from 1 July 2012 to 30 June 2013.

Application of new and revised accounting standards

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Company has applied the following new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual improvements 2009-2011 Cycle'
- AASB 2012-9 Amendment to AASB 2048 arising from the Withdrawal of Australian Interpretation 1039'
- AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, materiality and Financial Instruments' (Part A Conceptual Framework)
- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (cont.)

Application of new and revised accounting standards (cont.)

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements (cont.)

- AASB 12 'Disclosure of Interests in Other Entities and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

With the exception of AASB 13 (refer below) adoption of the above standards had no material impact on the financial statements.

Impact of the application of AASB 13

The Company has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (for example, net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by AASB 13 for the 2013 comparative period. The application of AASB 13 has not had any material impact on the amounts recognised in the financial statements but has resulted in additional disclosures as shown in Note 16.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (cont.)

Application of new and revised accounting standards (cont.)

Standards and interpretations issued not yet adopted (cont.)

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' (amendment issued in 2010 and 2013)	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' - Part C: 'Materiality'	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
AASB 14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (cont.)

Application of new and revised accounting standards (cont.)

Standards and interpretations issued not yet adopted (cont.)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	30 June 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016	30 June 2017
IFRS 9 Financial Instruments (2014) and all related amendments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (cont.)

(a) Income Tax

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

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

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

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

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

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

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

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

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (cont.)

(b) Financial Instruments

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

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

(i) Financial assets

Initial recognition and measurement

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or 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:

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

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

Financial assets not measured at amortised cost are measured at fair value through 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 YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (cont.)

(iii) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

(iv) Fair value

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

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

(c) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

(d) Cash and Cash Equivalents

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

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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.

Dividend income

Dividend income is recognised when the right to receive payment is established, provided that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably.

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.

(g) Trade and Other Payables

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

(h) Provisions

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

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 period. 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 income securities.

(k) Share Capital

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

(l) Critical Accounting Estimates and Judgements

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

(m) Key Estimates and Judgements

Impairment

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

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

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

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. Revenue

	2014	2013
	\$	\$
Interest from investments in financial assets	6,358,714	6,417,840
Interest from banks	112,885	399,826
Dividend income	312,534	485,412
Other income	5,264	30,990
	6,789,397	7,334,068

3. Income Tax Expense

(a) The components of tax expense comprise:

Current tax	1,761,105	1,736,034
Deferred tax	198,066	149,537
	1,959,171	1,885,571

(b) Prima facie tax on profit from ordinary activities

before income tax at 30%	2,075,710	2,012,256
Add/(less) tax effect of:		
Franking credits from dividends	(112,699)	(126,685)
	1,963,011	1,885,571

The applicable weighted average effective tax rate is	28%	28%
---	-----	-----

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

4. Dividends Paid

	2014	2013
	\$	\$
Dividends paid		
Fully franked dividend of \$1.40 per share paid on 26 July 2012	-	1,366,940
Fully franked dividend of \$1.10 per share paid on 31 October 2012	-	1,074,025
Fully franked dividend of \$1.50 per share paid on 13 February 2013	-	1,464,579
Fully franked dividend of \$1.35 per share paid on 08 May 2013	-	1,318,121
Fully franked dividend of \$1.25 per share paid on 22 August 2013	1,220,483	-
Fully franked dividend of \$1.15 per share paid on 25 November 2013	1,122,844	-
Fully franked dividend of \$1.10 per share paid on 19 February 2014	1,074,024	-
Fully franked dividend of \$1.24 per share paid on 14 May 2014	1,210,719	-
	4,628,070	5,223,665
Total dividends per share for the year	4.74	5.35

The tax rate at which paid dividends have been franked is 30% (2013: 30%).

Franking credit balance

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

- Franking account balance at the end of the financial period at 30%	72,783	4,071
- Franking credits that will arise from payment of income tax payable as at the end of the financial period	465,898	595,966
	538,681	600,037

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

5. Cash and Cash Equivalents

	2014	2013
	\$	\$
Current		
Cash at bank and in hand	1,372,937	2,422,513
	1,372,937	2,422,513

The weighted average interest rate on cash at bank is 2.75% at year-end (2013: 3.00%).

6. Other Receivables

Current		
GST receivable	1,356	926
Dividend receivable	-	63,128
Interest receivable	14,411	21,027
	15,767	85,081

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

7. Financial Assets

			2014	
			\$	\$
Current				
Amortised Cost	Maturity Date	Coupon Rate	Face Value	Amortised Cost
a) Corporate Bonds				
Royal Bank of Scotland	27-Oct-14	3M BBSW + 0.87%	6,100,000	5,994,563
			6,100,000	5,994,563

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

7. Financial Assets (cont.)

			2014	
			\$	\$
Non-Current				
Amortised Cost				
a) Corporate Bonds	Maturity Date	Coupon Rate	Face Value	Amortised Cost
<i>Fixed Rate</i>				
Morgan Stanley	09-May-17	8.00%	5,100,000	5,162,409
<i>Floating Rate</i>				
Bank of America	14-Feb-17	3M BBSW + 0.38%	17,400,000	15,516,430
Morgan Stanley	22-Feb-17	3M BBSW + 0.47%	7,000,000	6,555,721
HBOS plc (Lloyds)	01-May-17	3M BBSW + 0.26%	5,400,000	4,691,888
Bank of Queensland	22-Mar-22	3M BBSW + 4.25%	15,000,000	15,041,890
IMB Limited	29-Jun-22	3M BBSW + 4.25%	8,000,000	8,017,566
Australian Mutual Investment Trust	09-Nov-22	3M BBSW + 3.90%	4,000,000	4,000,681
AMP Bank Limited	21-Dec-22	3M BBSW + 3.10%	7,500,000	7,513,720
b) Loan Note				
Loy Yang Power Projects Pty Ltd	12-Nov-15	BBSY + 1.50%	9,895,997	9,741,944
			79,295,997	76,242,249
Fair Value				
b) Hybrid Convertible Preference Shares				
<i>Floating Rate</i>				
Insurance Australia Group (IAGPC)	01-May-19	6M BBSW + 4.00%	7,975,000	8,488,590
Total - Fair Value			7,975,000	8,488,590
			87,270,997	84,730,839

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

7. Financial Assets (cont.)

		2013		
		\$	\$	
Non-Current				
Amortised Cost				
a) Corporate Bonds	Maturity Date	Coupon Rate	Face Value	Amortised Cost
<i>Fixed Rate</i>				
Morgan Stanley	09-May-17	8.00%	5,100,000	5,163,192
<i>Floating Rate</i>				
Royal Bank of Scotland	27-Oct-14	3M BBSW + 0.87%	6,100,000	5,583,905
Bank of America	14-Feb-17	3M BBSW + 0.38%	17,400,000	14,871,703
Morgan Stanley	22-Feb-17	3M BBSW + 0.47%	7,000,000	6,397,021
HBOS plc (Lloyds)	01-May-17	3M BBSW + 0.26%	5,400,000	4,472,933
Bank of Queensland	22-Mar-22	3M BBSW + 4.25%	15,000,000	15,043,108
IMB Limited	29-Jun-22	3M BBSW + 4.25%	8,000,000	8,018,988
Royal Bank of Scotland	17-Feb-17	3M BBSW + 0.78%	4,000,000	3,276,008
Australian Mutual Investment Trust	09-Nov-22	3M BBSW + 3.90%	4,000,000	4,000,741
AMP Bank Limited	21-Dec-22	3M BBSW + 3.10%	7,500,000	7,513,966
b) Loan Note				
Loy Yang Power Projects Pty Ltd	12-Nov-15	BBSY + 1.50%	10,223,827	9,928,209
Total - Amortised Cost			89,723,827	84,269,774
Fair Value				
a) Convertible Notes	Maturity Date	Coupon Rate	Face Value	Fair Value
<i>Fixed Rate</i>				
FKP Property Group	05-Jan-16	8.00%	4,000,000	3,639,600
b) Hybrid Convertible Preference Shares				
<i>Floating Rate</i>				
Insurance Australia Group (IAGPC)	01-May-19	6M BBSW + 4.00%	7,975,000	8,124,930
Total - Fair Value			11,975,000	11,764,530
			101,698,827	96,034,304

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

8. Deferred Tax Assets/(Liabilities)

	2014	2013
	\$	\$
Non-Current		
Deferred tax assets/(liabilities) comprise:		
Transaction costs on equity issue	216,172	324,257
Fair value of financial assets	(85,675)	23,424
Other	5,400	(13,718)
	135,897	333,963

9. Other Payables

Current		
Accrued liabilities	37,441	20,555
	37,441	20,555

10. Current Tax Liabilities

Current		
Current tax liabilities	465,898	595,966
	465,898	595,966

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

11. Issued Capital

	2014	2013
	\$	\$
(a) Issued Capital		
Balance at beginning of the year	96,377,500	96,377,500
First capital return of \$7.01 per share paid on 14 May 2014	(6,844,466)	-
Balance at the end of the year	89,533,034	96,377,500
(b) Movement in ordinary shares		
Date	No.	No.
Balance at beginning of the year	976,386	976,386
Balance at the end of the year	976,386	976,386

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

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

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

Capital Management

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

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

The Company'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 2014, financial liabilities were \$503,339 (2013: \$616,521). There are no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

12. Earnings per share

(a) Calculated earnings per share

	2014	2013
	\$	\$
Basic earnings per share	5.08	4.94
Diluted earnings per share	5.08	4.94

(b) Earnings used in calculating earnings per share

Profit from continuing operations used to calculate basic and diluted earnings per share	4,959,860	4,821,950
--	-----------	-----------

(c) Weighted average number of shares

	No.	No.
Weighted average number of ordinary shares outstanding during the period used to calculate basic earnings per share	976,386	976,386
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	976,386	976,386

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

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

13. Cash Flow Information

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

	2014	2013
	\$	\$
Profit after tax	4,959,860	4,821,950
Add/(less):		
Accrued interest on financial assets	(1,668,626)	(1,586,229)
Fair value through profit or loss	(363,660)	(77,217)
Gain on Disposal of financial assets	(766,641)	-
Changes in assets and liabilities:		
Decrease in receivables	69,314	450,242
Decrease in deferred tax assets	198,066	149,537
Increase in other payables and accruals	16,886	5,330
(Decrease) in income tax payable	(130,068)	(321,855)
Cash flow from operations	2,315,131	3,441,758

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 period 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	1,372,937	2,422,513
	1,372,937	2,422,513

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 Alexander MacLachlan and Mr Christopher Brown are directors of the Company and directors of the Manager and Issue Manager, Dixon Advisory & Superannuation Services Limited.

Walsh & Company Asset Management Pty Limited

Effective 30 April 2014, the Investment Manager of the Company changed from Dixon Advisory & Superannuation Services Limited (**DASS**) to Walsh & Company Asset Management Pty Limited (**Walsh AM**). Walsh AM is also a member of the Dixon Advisory Group Limited, the parent company of DASS. Walsh AM utilises the same resources of the Dixon Advisory Group Limited as available to DASS to manage the Company. There was no change in the fee structure for the change in Manager.

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, Walsh AM.

(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	3,000
Daryl Dixon	-	1,000
Alan Dixon	-	2,000
Christopher Brown	-	360
Alexander MacLachlan	-	50

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

14. Related-Party Transactions (cont.)

(b) Management Fee

The Manager is entitled to receive an annualised management fee of 0.59% (excluding GST) of the value of the Portfolio. The management fee paid or payable to Dixon Advisory & Superannuation Services Limited for the year was \$532,487 (2013: \$640,599) inclusive of GST. The management fee paid or payable to Walsh & Company Asset Management Pty Limited for the year ended was \$106,498 (2013: Nil). No management fees are outstanding to the Manager at the year-end.

(c) Administration costs

Australian Fund Accounting Services Pty Limited

Effective 1 July 2013, Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of Dixon Advisory Group Limited, the parent of the Manager, provides fund administration services under an agreement with the Manager consistent with the terms of the existing management agreement with the Company. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Total fund administration fees paid or payable for the year was \$90,000, exclusive of GST.

15. Key Management Personnel

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

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

Key Management Personnel Remuneration

Maximilian Walsh, Daryl Dixon, Alan Dixon, Christopher Brown and Alexander MacLachlan have agreed not to be paid any remuneration for the services they perform as directors.

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

Number of shares held by key management personnel

	Balance at 1 July 2013	Received as remuneration	Net change other	Balance at 30 June 2014
Directors	No.	No.	No.	No.
Maximilian Walsh	3,001	-	-	3,001
Daryl Dixon	1,000	-	-	1,000
Alan Dixon	2,000	-	-	2,000
Christopher Brown	360	-	-	360
Alexander MacLachlan	50	-	-	50
Total	6,411	-	-	6,411

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16. Financial Risk Management

(a) Financial Risk Management Policies

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

(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 2014, approximately 6% of the financial assets were at a fixed rate and 94% of the financial assets were 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 when they fall due.

The Company's exposure to liquidity risk is minimal. The Company had no borrowings at 30 June 2014 and cash inflows from coupons from the underlying financial assets are received at regular intervals to meet the obligations of the Company. Financial assets can generally be traded in the over-the-counter market, in the event the Company needs to convert investments into cash to realise underlying financial positions.

(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 2014.

(iv) Market price risk

Market price risk is the risk that changes in market prices such as equity prices will affect the Company's income and the value of its holdings of financial instruments.

Inherently, the Company is exposed to market price risk as it invests its capital in securities whose market prices can fluctuate.

Market risk is moderated by ensuring that the Company's investment portfolio is not overexposed to one company or one particular sector. The relative weightings of the individual funds are reviewed by the Investment Committee frequently.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16. 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. The amounts will not reconcile to the Statement of Financial Position.

	2014	Weighted Average
	\$	Effective Interest Rate
Financial Assets		
Cash and cash equivalents	1,372,937	2.75%
Other receivables	15,767	-
Investment in financial assets	120,698,723	7.49%
	122,087,427	

	2013	Weighted Average
	\$	Effective Interest Rate
Financial Assets		
Cash and cash equivalents	2,422,513	3.00%
Other receivables	85,081	-
Investment in financial assets	130,888,322	7.55%
	133,395,916	

30 June 2014	Within 1 year	1 to 5 years	Over 5 years	Total
Financial Assets	\$	\$	\$	\$
Cash and cash equivalents	1,372,937	-	-	1,372,937
Other receivables	15,767	-	-	15,767
Investment in financial assets	4,271,974	66,991,474	49,435,275	120,698,723
Total Financial Assets	5,660,678	66,991,474	49,435,275	122,087,428

30 June 2013	Within 1 year	1 to 5 years	Over 5 years	Total
Financial Assets	\$	\$	\$	\$
Cash and cash equivalents	2,422,513	-	-	2,422,513
Other receivables	85,081	-	-	85,081
Investment in financial assets	4,805,692	74,202,755	51,879,875	130,888,322
Total Financial Assets	7,313,286	74,202,755	51,879,875	133,395,916

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16. Financial Risk Management (cont.)

(ii) Net fair values

Financial assets measured at fair value through profit or loss

The note below provides information about how the Company determines fair values of various financial assets measured at fair value through profit or loss.

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

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- c) Level 3: inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

Financial Asset	Fair Value 30 June 2014 \$	Fair Value 30 June 2013 \$	Fair Value Hierarchy	Valuation Approach	Key unobservable inputs	Relationship of unobservable inputs to fair value
Hybrid Convertible Preference Shares	8,448,590	8,124,930	Level 1	Quoted bid prices in an active market	N/A	N/A
Convertible notes	-	3,639,600	Level 2	Discounted cash flow	Coupon rate	Higher coupon rate results in lower fair value measurement.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between fair value hierarchy levels during the financial year ended 30 June 2014.

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

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

Financial assets	Fair value hierarchy as at 30 June 2014			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Corporate bonds	-	76,738,620	-	76,738,620
Loan note	-	9,741,944	-	9,741,944
Total	-	86,480,564	-	86,480,564

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16. Financial Risk Management (cont.)

(ii) Net fair values (cont.)

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

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

(iii) Sensitivity analysis

Interest rate risk

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

At 30 June 2014, 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:

	2014	2013
	\$	\$
Change in profit before tax and equity		
Increase in interest rate by 1%		
- Cash at bank	13,729	24,249
- Financial assets	718,092	691,984
Decrease in interest rate by 1%		
- Cash at bank	(13,729)	(24,249)
- Financial assets	(718,475)	(694,738)

Market Price Risk

The Company has performed sensitivity analysis relating to its exposure to its market price risk at balance date. This sensitivity analysis demonstrates the effect on profit and equity which would result from a change in these risks on financial assets.

At 30 June 2014, the effect on profit and equity as a result of changes in the value of equity investments, with all other variables remaining constant, would be as follows:

Change in profit before tax and equity		
- Increase in market price by 1%	84,886	117,645
- Decrease in market price by 1%	(84,886)	(117,645)

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED

ABN 58 149 790 545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

17. Auditor's Remuneration

The auditor of the Company is Deloitte Touche Tohmatsu. The fee in connection with the audit and review of the financial statements of the Company received or receivable by Deloitte Touche Tohmatsu is \$24,800 for the year ended 30 June 2014 (2013: \$24,100). Tax and other services received or receivable by Deloitte Touche Tohmatsu and its related parties for the year ended 30 June 2014 amount to \$10,600 (2013: \$2,775).

18. Contingent Liabilities

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

19. Capital Commitments

The Company has no capital commitments at balance date.

20. Events After The Reporting Period

On 31 July 2014, the Company announced a fully franked dividend of \$1.20 per ordinary share. The dividend was paid to shareholders on 18 August 2014.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial period and the date of this report any other item, transaction or event of material and unusual nature likely, in the opinion of the directors, to significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company, in future financial years.

21. Company Details

The registered office of the Company is:

Australian Masters Yield Fund No 3 Limited
Level 15, 100 Pacific Highway
North Sydney NSW 2060

The principal place of business is:

Australian Masters Yield Fund No 3 Limited
Level 15, 100 Pacific Highway
North Sydney NSW 2060

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014

The Directors of the Company declare that:

1. The financial report as set out in pages 17 to 45 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on page 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 at 30 June 2014 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;
 - c. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - d. the directors have been given the declarations required by s295A of the *Corporations Act 2001*.
2. The Directors of the Manager, Walsh & Company Asset Management Pty Limited have declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. At the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts when they become due and payable.

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

On behalf of the Directors



Mr Maximilian Sean Walsh
Chairman
29 August 2014

Independent Auditor's Report to the members of Australian Masters Yield Fund No. 3 Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Masters Yield Fund No.3 Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 17 to 46.

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 entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

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 Yield Fund No.3 Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

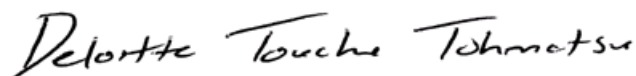
- (a) the financial report of Australian Masters Yield Fund No.3 Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 14 of the directors' report for the year ended 30 June 2014. 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 Yield Fund No.3 Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants
Sydney, 29 August 2014

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545

ADDITIONAL SECURITIES EXCHANGE DISCLOSURES

AT 31 JULY 2014

Statement of quoted securities at 31 July 2014

- There are 1,848 shareholders holding a total 976,386 ordinary fully paid shares.
- The 20 largest shareholders between them hold 5.506% of the total shares on issue.
- Voting rights are each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Distribution of quoted shares at 31 July 2014

Distribution of shareholders category (size of holding)	Number of shareholders
1 – 1,000	1,670
1,001 – 5,000	178
5,001 – 10,000	0
10,001 – 100,000	0
100,001 – and over	0
Total Holders	1,848

Substantial shareholdings at 31 July 2014

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

Directors' shareholdings

At 30 June 2014, directors of the Company held a relevant interest in the following securities on issue by the Company.

Director	Ordinary shares
Maximilian Walsh	3,001 ordinary shares
Daryl Dixon	1000 ordinary shares
Alan Dixon	2000 ordinary shares
Christopher Brown	360 ordinary shares
Alexander MacLachlan	50 ordinary shares

Restricted Securities

There are no restricted securities on issue by the Company.

Transactions

There were no transactions in securities during the reporting period.

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545

ADDITIONAL SECURITIES EXCHANGE DISCLOSURES

AT 31 JULY 2014

Top 20 holders of ordinary shares

Shareholder name	Number of shares held	% of Total
ASTAM BOOKS PTY LTD	4,000	0.410
C & J PLAYER SUPER FUND A/C>	3,500	0.358
ROSENSHUL S/F A/C>	3,400	0.348
HAWES FAMILY SUPER FUND A/C>	3,200	0.328
THE BEDO SUPER FUND A/C>	3,000	0.307
THE LEAHY FAMILY S/FUND A/C>	3,000	0.307
SOUTHWOOD SUPER FUND A/C>	3,000	0.307
VETEMAC PTY LTD STAFF SF A/C>	2,700	0.277
KE DOWNES PROVIDENT FUND A/C>	2,600	0.266
BREWER SUPER FUND A/C>	2,500	0.256
DWO HAWKS SUPER FUND A/C>	2,500	0.256
CHILTON SUPER FUND A/C>	2,500	0.256
R SUPERANNUATION FUND A/C>	2,500	0.256
MENHAIR RETIREMENT FUND A/C>	2,320	0.238
J & J KRUGER SUPER FUND A/C>	2,300	0.236
BERNARD G RENWICK S/F A/C>	2,250	0.230
CLEAVES FAMILY S/F A/C>	2,200	0.225
CONSCHELL S/F A/C>	2,138	0.219
JOHNSON SUPER FUND A/C>	2,100	0.215
AUSTCORP SUPER FUND A/C>	2,061	0.211
Total held by top 20 holders of ordinary shares	53,769	5.506

For personal use only

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545

ADDITIONAL SECURITIES EXCHANGE DISCLOSURES

AT 31 JULY 2014

Management Agreement

The Company's investment activities are managed on an exclusive basis by the Manager. The management agreement is dated 21 March 2011 (**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 21 March 2011 and expiring on 21 March 2016 (**Initial Term**). Unless terminated during the initial term, the Management Agreement will be automatically extended for successive further terms of one year each.

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

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

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

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

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

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

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

AUSTRALIAN MASTERS YIELD FUND NO 3 LIMITED
ABN 58 149 790 545

CORPORATE DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2014

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

Home Exchange is Sydney.

ASX Code is AYJ.

Directors

Mr Maximilian Sean Walsh
(Non-Executive Chairman)

Mr Daryl Albert Dixon
(Non-Executive Director)

Mr Alan Cochrane Dixon
(Non-Executive Director)

Mr Christopher Matthew Brown
(Non-Executive Director)

Mr Alexander Gen MacLachlan
(Non-Executive Director)

Company Secretaries

Ms Hannah Chan
Ms Karen Luu

Registered Office

Level 15
100 Pacific Highway
North Sydney NSW 2060

Telephone Facsimile
1300 454 801 1300 457 349

Principal Office

Level 15
100 Pacific Highway
North Sydney NSW 2060

Telephone Facsimile
1300 454 801 1300 457 349
Website: www.amyf.com.au

Share Register managed by

Boardroom Pty Limited
Level 7
207 Kent Street
Sydney NSW 2000

Telephone Facsimile
(02) 9290 9600 (02) 9279 0664
Website: www.boardroomlimited.com.au

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Telephone Facsimile
(02) 9322 7000 (02) 9322 7001
Website: www.deloitte.com.au

Solicitors

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

Telephone Facsimile
(02) 9262 6666 (02) 9262 2626
Website: www.wmlaw.com.au

Bankers

Macquarie Bank
ANZ Bank