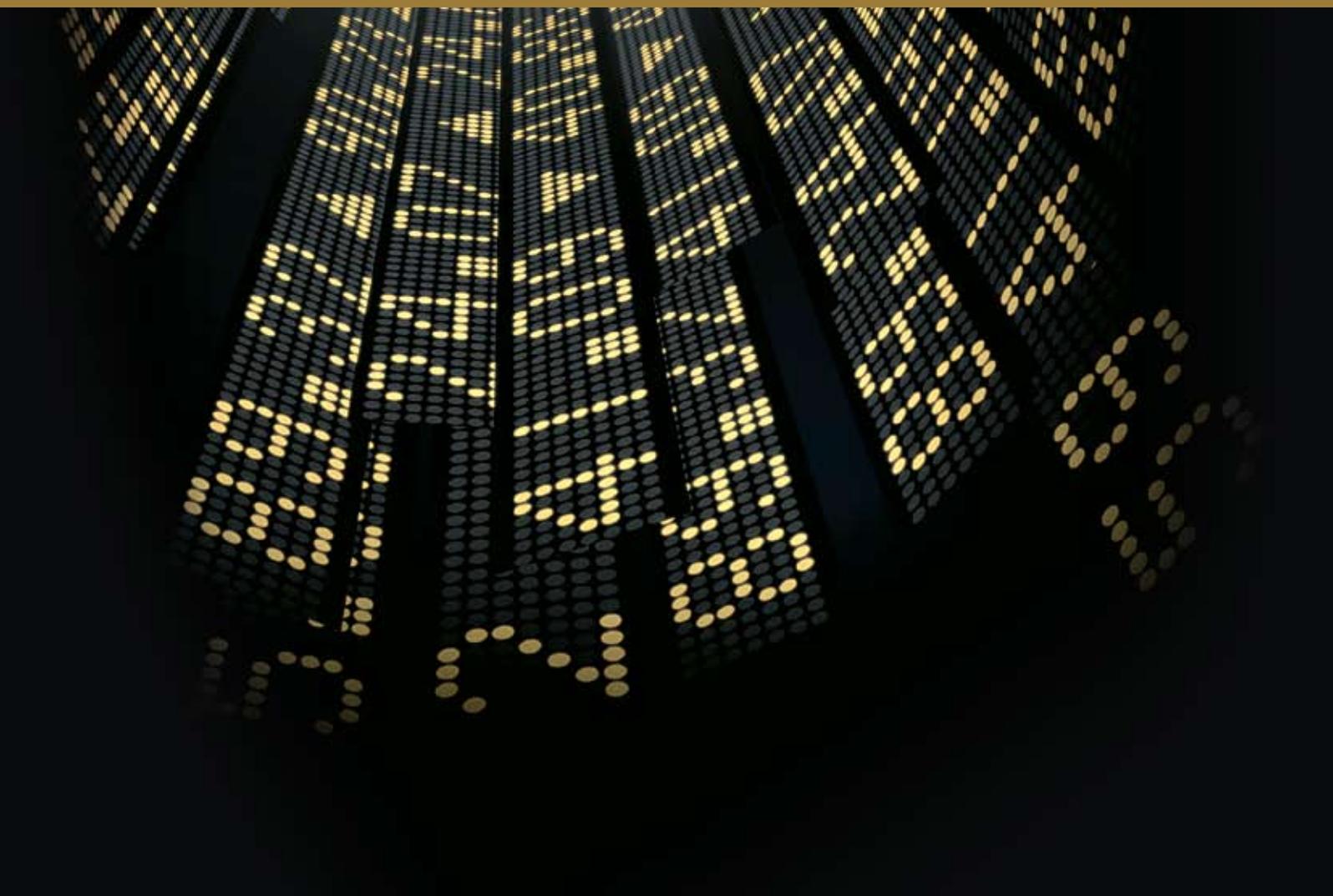


2009 Annual Report | **Adelaide Managed Funds** | Asset Backed Yield Trust



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Highlights

Annualised return of 9.40% for FY2009, exceeding forecasts before one-off costs

Cash distribution of 17.2 cents per Unit in FY2009

Unique portfolio of investments generating stable, predictable returns

Forecast return for FY2010 of between BBSW + 4.00% and BBSW + 4.50%

No outstanding borrowing commitments

Chairman's report

“Your Board remains focused on maintaining the credit performance of the Fund and ensuring that the margin earned by Unitholders remains high.”

Overview

This annual report is for the third operating year of the Adelaide Managed Funds Asset Backed Yield Trust (the Fund), which is listed on the Australian Stock Exchange.

On behalf of the Directors of Adelaide Managed Funds, it gives me great pleasure to present this Annual Report and to inform Unitholders that the Fund has performed well despite the challenging environment encountered throughout the 2009 financial year.

In addition, I would like to acknowledge Ms Jennifer Dawson, who retired as a Director and Chairman and Mr Jamie McPhee, who retired as a Director, in August of this year. Ms Dawson and Mr McPhee were both valued members of the Adelaide Managed Funds Board and on behalf of the remaining Directors, I would like to thank them for their involvement and support. I would also like to welcome the Chief Executive Officer, Mr Bruce Speirs, to the Board of Adelaide Managed Funds.

Unitholder returns

The annualised return to Unitholders (on a fully paid basis) was 9.4% (pre one-off costs) for the year to 30 June 2009, with cumulative cash distributions totalling 17.2 cents per Unit. This represents an effective yield of 4.6% above the average 30-day BBSW for the financial year, based on the issue price of the Units.

Despite the negative impact of the one-off costs incurred in relation to the proper assessment of the offer from Bendigo and Adelaide Bank, which did not proceed because the Bank failed to obtain regulatory approval, the yield achieved provides an attractive floating rate of return for our Unitholders. This yield is underpinned by our disciplined approach to managing our investment portfolio combined with the strong risk management protocols employed by the Fund.

Interest income decreased by 17.4% compared to the prior corresponding period, to \$20.4 million, due to the decline in interest rates over the past 12 months. However, continued participation in the on-market buyback of Units in the Fund positively impacted returns to Unitholders.

Unique portfolio

The Fund remains a unique portfolio, offering investors the opportunity to invest in a range of asset classes that are normally out of reach for individuals.

With the exception of the Managed Investment Scheme (MIS) investment, the quality of the Fund's portfolio remains high, contributing to the strong performance and providing the ability to continue to generate stable, predictable returns.

The impairment provision of \$4.3 million raised against the MIS investment as at 30 June 2009 is not considered material to the Fund's Net Tangible Asset (NTA) backing of \$1.91 per Unit. The remaining assets under management have all delivered to or above expectations, and no material changes are currently expected in their future quality or performance. This provides us with great confidence in the forecast returns of the Fund and its ongoing sustainability.

Focus on Unitholder returns and credit performance

Your Board remains focused on maintaining the credit performance of the Fund, ensuring that the margin earned by Unitholders remains high and returning capital to Unitholders (via the on-market Unit buy-back) in an appropriate and timely manner whilst that remains the best use of Unitholders funds.

While there has continued to be a disconnect between the Unit price and the Fund's NTA backing over the past twelve months, we do not believe it reflects the performance of our underlying investments and the total return earned by our Unitholders has been strong.

The future

The results of the past year, achieved in a challenging environment, have provided a foundation for the continued positive performance of the Fund. I am pleased to have been able to present such results in my first Annual Report as Chairman.

Forecast yield for the 2010 financial year is again strong, in a range of 4.0% to 4.5% above the average 30-day BBSW. This will see an annual distribution of between 14.3 and 15.3 cents per Unit based upon 30-day BBSW as at 30 June 2009, or a 7.2% to 7.7% floating rate yield.

The Board believes the outlook for the Fund is positive and that Unitholders will continue to benefit from their investment in the coming period.



Mr Anthony Baum
Chairman
B. Ec, F. Finsia, G.AICD

Management report

“The Fund’s investment portfolio delivered a floating rate of return to Unitholders that was ahead of forecast, before one-off costs.”

Overview of FY2009

Despite another highly volatile year in global and domestic markets, the Fund's investment portfolio delivered a floating rate of return to Unitholders that was ahead of forecast, before one-off costs.

The Fund delivered an annualised return of 8.6% to Unitholders during the year ended 30 June 2009, which was paid to Unitholders as four quarterly cash distributions totalling 17.2 cents per Unit. Before one-off costs, this annualised return was equivalent to 9.4%.

Ongoing turbulence in credit markets saw Management focus on maintaining the performance of the Fund, eliminating refinance risk and prudently managing capital over the financial year. Significant effort was also utilised in assessing the proposed acquisition of the Fund by Bendigo and Adelaide Bank. The acquisition did not proceed, and Adelaide Managed Funds re-commenced an on-market buyback of Units in the Fund as it was the best identified use of its 'free cash' at that time.

The Fund returned \$6.9 million of Unitholder capital during the financial year, with Management electing to participate in the on-market Unit buyback rather than make new investments in the current environment. A total of 4.7% of Units originally issued were bought back over the financial year; 5.9% have been bought back in total.

The buyback will continue over the coming year while the purchase of Units represents the most appropriate use of Unitholder funds and to the extent that Units can be purchased using 'free cash.'

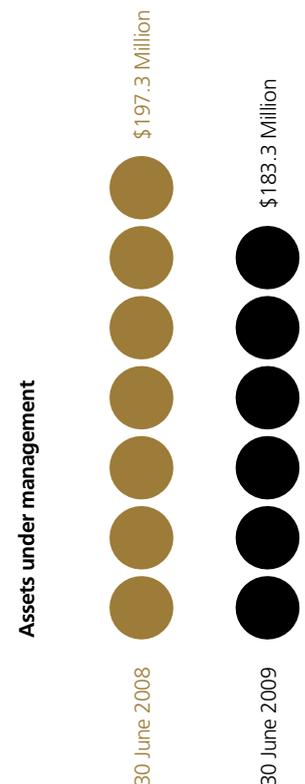
The Fund was trading with an audited Net Tangible Asset backing (NTA) equal to \$1.91 per Unit as at 30 June 2009, with a Unit price of \$1.155. This NTA includes an impairment provision of \$4.3 million raised against the Fund's MIS investment. Investments continue to be managed on a 'held-to-maturity' basis and we believe that the current NTA most accurately reflects the value of our investment portfolio for all Unitholders.

The Fund continues to employ a disciplined gearing strategy and, as at 30 June 2009, the Fund has no outstanding borrowing commitments. All Unitholder distributions are paid from cash generated from the interest earned on the investment portfolio.

Portfolio performance

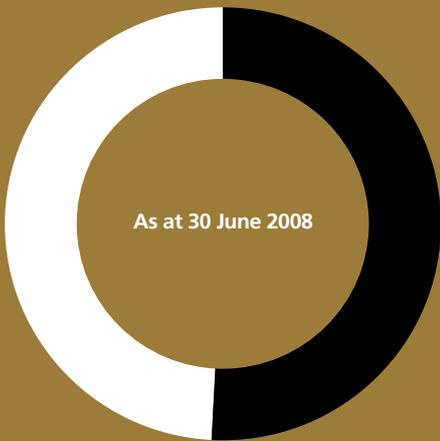
There was no material change in the Fund's asset mix during the year, with 41% of assets shadow rated Investment Grade at 30 June 2009 (49%: 30 June 2008). Assets under management, including cash, totalled \$183 million at this time. These figures include an impairment provision of \$4.3 million raised against the Fund's MIS investment. This provision reflects Management's best estimate of future losses on the MIS program as at 30 June 2009.

The Fund's investment portfolio is comprised of notes backed by a range of assets including margin loans, MIS investor loans, non-conforming residential mortgages and medical equipment loans and leases.

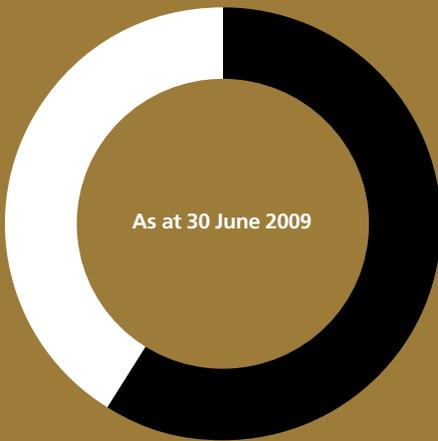


Management report

Portfolio summary: investment grade

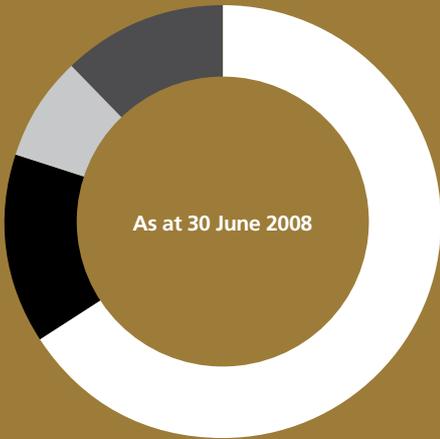


- 51% Non Investment Grade
- 49% Investment Grade

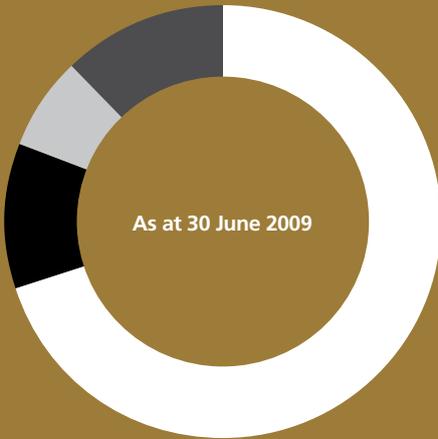


- 59% Non Investment Grade
- 41% Investment Grade

Portfolio summary: underlying receivable type



- 66% Margin lending
- 14% MIS investor loans
- 08% Medical equipment financing
- 12% Non-conforming mortgages



- 70% Margin lending
- 11% MIS investor loans
- 07% Medical equipment financing
- 12% Non-conforming mortgages

| Investment | Actual losses to 30 June 2009 | Losses where Fund investment is impacted | Loss buffer multiple | Previous loss buffer multiple |
|------------------------------|--------------------------------------|---|-----------------------------|--------------------------------------|
| Margin lending | 0.07% | 1.41% | 20x | 25x |
| Non-conforming mortgages | 0.23% | 1.91% | 8x | 7x |
| Medical financing program #2 | 0.65% | 6.73% | 10x | 12x |
| MIS investor loans | 4.50% | 4.82% | 0x | 2x |

Asset quality

With the exception of the MIS investment, the performance of the assets held by the Fund has met or exceeded expectations and the portfolio continues to generate stable, predictable returns for Unitholders.

Management continue to monitor the MIS investment closely and the impairment provision of \$4.3 million raised against this investment is not considered material to the Fund's audited total NTA.

Arrears and cumulative losses recorded to date on all other programs are considerably lower than levels where the Fund's investments will be impacted.

The strength of the Fund's overall strategy and portfolio structure has again served Unitholders well in FY2009 and Management is confident of continued success in the next 12 months.

Outlook

Unitholder returns for FY2010 are again forecast to be in the range of 4.0% to 4.5% above the average 30-day BBSW rate. This translates to a total yield in the range of 7.2% to 7.7% as at 30 June 2009, or 14.3 to 15.3 cents per Unit. Our investment portfolio ensures that the Fund continues to generate a stable, predictable floating rate of return for Unitholders.

Executive team

Mr Bruce Speirs
Chief Executive Officer
B.Com M Fin CA

Mr Bruce Speirs joined Adelaide Bank in 2004 initially responsible for the Management of both residential and asset backed securitisation programs. Mr Speirs was appointed Chief Executive Officer of Adelaide Managed Funds in January 2007. Prior to joining Adelaide Bank, he spent nine years working with Ernst & Young in the Audit and Corporate Finance teams in the Adelaide, London and Palo Alto offices. He holds a Bachelor of Commerce from Flinders University, a Masters of Finance from Macquarie Graduate School and is a member of the Institute of Chartered Accountants.

Mr Kym Masters
Chief Investment Officer
BEng (Hons), BEc, MApp Fin

Mr Kym Masters joined Adelaide Bank in 2005 in the Portfolio Funding Team. He has eleven years of experience in investment banking including roles in structured finance, equity capital markets and Australian equities research. Kym holds a Bachelor of Engineering and a Bachelor of Economics from the University of Adelaide, and a Masters of Applied Finance from Macquarie University.

Board of Directors

Mr Anthony Baum
Chairman (Non-Independent Executive)**
B.Ec, F.Finsia, GAICD

Mr Anthony Baum is responsible for the Wealth and Third Party Banking businesses within the Bendigo and Adelaide Bank Group. Mr Baum's areas of accountability incorporate Wealth Management; Managed Funds, Margin Lending and Wealth Deposits as well as Wealth Solutions; Financial Planning, Superannuation, Wills, and Estates and Third Party Mortgages. The Group operates these businesses under a strong portfolio of Brands including Sandhurst Trustees, Adelaide Managed Funds, Leveraged Equities and Adelaide Bank. Mr Baum joined Bendigo and Adelaide Bank in 2000 from BNP Paribas in London and has previously held the positions of Group Treasurer, Chief General Manager Financial Markets and Chief General Manager Wealth Management. He has over 18 years banking experience within Australia and Europe.

**Mr Baum was appointed Chairman on 7 August 2009.

Ms Nancy Fox
Independent Non-Executive
BA, JD (Law), GAICD

Ms Nancy Fox is the Managing Director of Ambac Assurance Corporation with responsibility for the Asia Pacific Region. Prior to joining Ambac, Ms Fox was an investment banker for over fifteen years and has held a number of senior positions as head of securitisation and structured finance at ABN AMRO, AIDC and Citibank. Before moving to investment banking, she was an attorney in New York. Ms Fox was a National Committee member of the Australian Securitisation Forum for nine years and received the Australian Securitisation Forum's inaugural Distinguished Service Award in 2005. Ms Fox has also served as a board member of the Australian Youth Orchestra since 2001.

Mr Stephen Treanor
Independent Non-Executive
BA (Econ), MBA (Fin)

Mr Stephen Treanor is a financial consultant. Over the past eleven years, he has advised a wide range of companies on credit risk assessment, debt structuring, and the securitisation of financial assets. Previously, he was a commercial banker and credit analyst in the United States and served as managing director of the Australasian operations for Moody's Investors Service. Mr Treanor is also a professional director of securitisation and other finance related companies. Current directorships include Longreach CP Limited, Nexus Bonds Limited, Select Access Investments Limited, Structured Risk Alternatives Pty Limited, Bridging Capital Pty Ltd and Australian Mutual LT2 Capital Funding (No.1) Ltd.

Mr Bruce Speirs
Non-Independent Executive
B.Com M Fin CA

Mr Bruce Speirs joined Adelaide Bank in 2004 initially responsible for the Management of both residential and asset backed securitisation programs. Mr Speirs was appointed Chief Executive Officer of Adelaide Managed Funds in January 2007. Prior to joining Adelaide Bank, he spent nine years working with Ernst & Young in the Audit and Corporate Finance teams in the Adelaide, London and Palo Alto offices. He holds a Bachelor of Commerce from Flinders University, a Masters of Finance from Macquarie Graduate School and is a member of the Institute of Chartered Accountants.

Mr Speirs was appointed to the Board on 7 August 2009.

Ms Jennifer Dawson
Chairman* (Non-Independent Non-Executive)
B Bus (Acc), FCA, MAICD

Ms Jennifer Dawson has served as an Independent Director of the Bendigo and Adelaide Bank board for more than ten years and was appointed Chairman of the Adelaide Managed Funds board in April 2008. Ms Dawson spent ten years with Arthur Andersen in the audit and IT controls division and has experience in the areas of financial reporting and auditing, IT internal control reviews, internal audit and risk management. Ms Dawson is a director of Coliban Region Water Corporation and a member of the Victorian Regional Development Advisory Committee.

*Ms Dawson resigned from the Board on 7 August 2009.

Mr Jamie McPhee
Non-Independent Executive
BEng (Hons), MBA, SFFin, FAICD

Mr Jamie McPhee was appointed as an executive director and chief executive - wholesale bank of Bendigo and Adelaide Bank following the merger of Adelaide Bank in November 2007. Mr McPhee has worked with Adelaide Bank for 20 years, having started in Treasury. In 2003, he was appointed Chief General Manager Operations, responsible for day-to-day banking operations of the bank and in September 2005 was appointed Chief Operating Officer, responsible for all bank operations for the Group. Mr McPhee was appointed a Director of Adelaide Managed Funds Limited in May 2006 and Group Managing Director of Adelaide Bank in December 2006 a position he held until the merger with Bendigo Bank in November 2007.

Mr McPhee resigned from the Board on 7 August 2009.

Corporate governance

Introduction

Adelaide Managed Funds is the Responsible Entity of the Adelaide Managed Funds Asset Backed Yield Trust (the Fund). Adelaide Managed Funds is a wholly owned subsidiary of Bendigo and Adelaide Bank Limited (Bendigo and Adelaide Bank).

Adelaide Managed Funds is committed to maintaining high standards of corporate governance. The Adelaide Managed Funds Board will continue to review and improve Adelaide Managed Funds' corporate governance practices, and in doing so will monitor developments in this field. Adelaide Managed Funds' website (adelaidemanagedfunds.com.au) will be updated from time to time as corporate governance practices change.

Adelaide Managed Funds' corporate governance practices have been developed with regard to the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council. Those recommendations may be viewed at asx.com.au/about/corporate_governance/index.htm

All practices described in this statement are applied throughout the reporting period.

The roles and responsibilities of the Board and Management*

The Board of Adelaide Managed Funds is responsible for the overall corporate governance of Adelaide Managed Funds. Although responsibility for the operations of Adelaide Managed Funds is delegated by the Board to the Chief Executive Officer, the Board remains responsible for:

- > Approving management's recommended strategy for the Fund and monitoring achievement of objectives
- > Approving budgets and monitoring financial performance of the Fund
- > Appointing and removing the Chief Executive Officer
- > Approving the executive structure of Adelaide Managed Funds
- > Monitoring the performance of key service providers to the Fund against their contractual obligations
- > Monitoring the exercise of powers delegated to management
- > Approving expenditure beyond authority limits delegated to management
- > Approving and monitoring the investments of the Fund exercised through delegated authority of the Board Investment Committee
- > Monitoring systems of internal control and the management of risk exercised through delegated authority of the Board Audit and Risk Management Committee
- > Ensuring that transactions with related parties are undertaken on terms that would be reasonable had the parties been at arm's length. This responsibility is exercised through delegated authority of the Board Related Party Transactions Committee
- > Appointing the Fund's external and internal audit service providers, and
- > Ensuring appropriate resources are available to management.

The above division of responsibilities has been adopted by the Board. The governance of the Fund includes a variety of Board policies, many of which are referred to in this statement. All Board policies are subject to an annual review.

*for references to management refer to the Executive management team, being those who may materially influence the integrity, strategy and operation of the Fund and its financial performance.

The structure of the Board

Short biographies of the Directors of Adelaide Managed Funds are set out on page 11. The biographies contain details of the term of office of each Director, whether the Director is independent, together with details of the relevant skills, experience and expertise of each Director.

Independence

The Board applies the criteria recommended by the ASX Corporate Governance Council to assess any relationships which may affect the ability of a Director to exercise independent judgement. During the financial year a majority of the Board was made up of Non-Executive Directors. As of 7 August 2009, the Board consists of an equal number of Executive and Non-Executive Directors (refer to page 20 of the Directors Report). Two of the Directors are Independent Directors.

The Board has a procedure for all Directors to disclose to the Board any interests or relationships they have which may relate to the affairs of Adelaide Managed Funds. The independence of its Non-Executive Directors is regularly assessed by the Board, including at the time a disclosure of the type described above is made.

The composition of the Board does not meet the recommendations of the ASX Corporate Governance Council in respect of the following areas:

- > The majority of the Board should be independent (recommendation 2.1), and
- > The Chairman of the Board should be independent (recommendation 2.2).

The Board considers that its composition is appropriate given that Adelaide Managed Funds is a wholly owned subsidiary of Bendigo and Adelaide Bank. During the financial year the majority of Directors were either Directors or Executives of Bendigo and Adelaide Bank. Further, during this time the Chairman of each of the Audit and Risk Management Committee, the Related Party Transactions Committee and the Investment Committee, was a Director of Bendigo and Adelaide Bank. As of 7 August 2009, the Chairman of each Committee is an Executive Director of Adelaide Managed Funds.

The Board undertakes a large amount of its governance responsibilities through Board Committees. Each of the Board Committees is comprised of a majority of Independent Directors. The Board is satisfied that, due to the Committees having a majority of independent members, these Committees will operate effectively to bring independent judgement in the exercise of their duties. Refer over for further information about the Committees.

No Independent Director:

- > Is a substantial Unitholder of the Fund or an officer of, or otherwise associated directly with, a substantial Unitholder of the Fund (a "substantial Unitholder" is a Unitholder who has an interest in 5% or more of the Units in the Fund)
- > Acts as a nominee or representative of any particular Unitholder
- > Has been employed in an Executive capacity by Adelaide Managed Funds, or Bendigo and Adelaide Bank Limited
- > Within the last three years has been a material professional adviser or material consultant to the Fund
- > Is a material supplier or customer of the Fund
- > Has a material contractual relationship with Adelaide Managed Funds (other than as a Director), or
- > Has served on the Board for a period that could, or could reasonably be perceived to, materially interfere with his or her ability to act in the best interests of Adelaide Managed Funds or the Fund.

Materiality is assessed on a case by case basis and includes quantitative and qualitative criteria.

The role of the Chairman

The role of the Chairman includes:

- > Leading the Board
- > Ensuring the Board receives such information as Directors may require to discharge their duties
- > Representing the Board in public
- > Conducting Board meetings; and
- > Reviewing the performance of the Board and individual Directors.

Retirement and re-election of Directors

There is no obligation under Adelaide Managed Funds' Constitution that a Director must retire from office after a certain period of time unless:

- > The Director has been appointed for a nominated term, or
- > The holding company, being Bendigo and Adelaide Bank, gives written notice to Adelaide Managed Funds that a Director must be removed from office.

Selection and appointment of new Directors

The nomination and appointment of Directors will take place in accordance with Adelaide Managed Funds' Constitution and the Corporations Act. The Constitution allows Bendigo and Adelaide Bank to appoint new Directors.

The Board's policy for the nomination and appointment of Directors is to ensure the Board and its Committees have an appropriate mix of expertise and experience given the nature of the business of Adelaide Managed Funds and the markets in which it operates.

The Board reviews its composition and that of its Committees from time to time to ensure the requirements of its policy are met. This process may be undertaken with the support and assistance of the Governance and HR Committee of Bendigo and Adelaide Bank.

When a vacancy exists or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will seek and consider appropriate candidates for appointment.

Board meetings

The Board's business is largely conducted by a program of monthly meetings, together with such additional meetings as may be required from time to time.

The number of Board meetings held during the year and the attendance by each member is shown below.

| Director | Meetings held while a member | Number of meetings attended |
|-----------------|------------------------------|-----------------------------|
| Jennifer Dawson | 10 | 10 |
| Jamie McPhee | 10 | 10 |
| Stephen Treanor | 10 | 10 |
| Nancy Fox | 10 | 10 |
| Anthony Baum | 10 | 9 |

Corporate governance

Committees

A substantial part of the Board's business is conducted by Committees of the Board. The Board currently has three standing Board Committees, with the role of each being described as follows.

Any of the Committees may engage independent advisers as it determines necessary to assist it in carrying out its duties.

The minutes of each Committee meeting are circulated to all Directors and the agenda and papers for each meeting are available to all Directors. The Chair of each Committee provides a verbal report about the business of each Committee meeting to the next meeting of the Board.

Executives and other senior managers are required to attend and present at Board and Committee meetings and to answer questions from Directors. The Chair of each Committee also meets separately with relevant Executives, particularly in preparation for Committee meetings.

Audit and Risk Management Committee

The Audit and Risk Management Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems and the internal and external audit functions.

The Audit and Risk Management Committee shall establish and review policies regarding operational risks and compliance. In doing so the Committee shall provide assistance to the Board in fulfilling the risk management component of its corporate governance responsibilities. Adelaide Managed Funds' ability to identify, measure, monitor and report about risk and compliance is fundamental to its performance.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books and records of Adelaide Managed Funds and the Fund. The members of the Committee have free and unfettered access to senior management, the internal auditor, compliance plan auditor, the head of all risk management functions and external auditor at all times, and vice versa. Each of the internal auditor, external auditor and compliance plan auditor may raise matters with the Committee without reference to other Directors or senior management.

The number of Audit and Risk Management Committee meetings held during the year and the attendance by each member is shown below:

| Director | Meetings held while a member | Number of meetings attended |
|-----------------|------------------------------|-----------------------------|
| Jennifer Dawson | 7 | 7 |
| Stephen Treanor | 7 | 7 |
| Nancy Fox | 7 | 7 |

For the financial year, the composition of the Audit and Risk Management Committee did not meet all of the requirements of recommendation 4.2 of the ASX Corporate Governance Council recommendations because the Chairman of the Committee was not independent, and was Chairman of the Board. As of 7 August 2009, the Chairman of the Audit and Risk Management Committee is an Executive Director and Chairman of the Board. Accordingly, recommendation 4.2 that the Committee consists only of non-executive directors will also not be met.

The Board considers that the composition of the Audit and Risk Management Committee is appropriate given that Adelaide Managed Funds is a wholly owned subsidiary of Bendigo and Adelaide Bank.

The Board is satisfied that due to the Committee having a majority of independent members, the Committee will operate effectively to bring independent judgement in the exercise of its duties.

Investment Committee

The Investment Committee shall provide assistance to the Board in fulfilling the investment strategy and performance component of its corporate governance responsibilities.

In discharging its role, the Committee is responsible for establishing and maintaining investment strategy and policies, reviewing proposed investments, monitoring investment performance and establishing and maintaining policies in relation to credit, liquidity and market risks.

The number of Investment Committee meetings held during the year and the attendance by each member is shown below:

| Director | Meetings held while a member | Number of meetings attended |
|-----------------|------------------------------|-----------------------------|
| Jennifer Dawson | 9 | 9 |
| Stephen Treanor | 9 | 9 |
| Nancy Fox | 9 | 9 |

Related Party Transactions Committee

The Related Party Transactions Committee shall provide assistance to the Board in fulfilling its corporate governance responsibilities in relation to related party transactions undertaken by Adelaide Managed Funds in its role as Responsible Entity of the Fund.

In discharging its role, the Committee is responsible for establishing and maintaining policies in respect of related party transactions and for reviewing proposed related party transactions to ensure that they are undertaken as allowed under law.

The number of Related Party Transaction Committee meetings held during the year and the attendance by each member is shown below:

| Director | Meetings held while a member | Number of meetings attended |
|-----------------|------------------------------|-----------------------------|
| Jennifer Dawson | 1 | 1 |
| Stephen Treanor | 1 | 1 |
| Nancy Fox | 1 | 1 |

Remuneration and Nomination Committee

The Board considers that it is appropriate for Adelaide Managed Funds not to have a Remuneration and Nomination Committee on the basis that:

- > Adelaide Managed Funds is a wholly owned subsidiary of Bendigo and Adelaide Bank
- > Neither the Fund nor Adelaide Managed Funds pay remuneration to the Executives of Adelaide Managed Funds
- > The Board of Adelaide Managed Funds is appointed by Bendigo and Adelaide Bank
- > Bendigo and Adelaide Bank has a Governance and HR Committee, which will provide support and assistance when needed, and
- > The size and nature of Adelaide Managed Funds' operations does not warrant it.

This is a variance from the ASX Corporate Governance Council's recommendations 2.4 and 8.1.

Ethical and responsible decision-making

The Board expects Adelaide Managed Funds through its Directors, senior management and other employees to act in accordance with the Company's legal obligations, to act ethically and to consider the reasonable expectations of stakeholders.

The Board has adopted a Code of Conduct for Directors and Executives. The Code reflects Adelaide Managed Funds' attitude to the behaviour expected of its senior people. A copy of the Code of Conduct is available on Adelaide Managed Funds' website.

The Board has a procedure to require Directors to disclose to the Board any interests they have which relate to the affairs of Adelaide Managed Funds and the Fund.

In providing services to the Fund, each Executive, manager and employee is required to act in accordance with the standards set out in a Code of Conduct for all employees. The requirement to comply with these ethical standards is communicated to these parties. The Code of Conduct deals with standards of conduct for the Company's relationship with its Unitholders, staff and the community at large.

The Code of Conduct for all employees refers to employee loyalty and commitment to standards of behaviour which will ensure:

- > The business of the Fund is conducted in a way to comply with relevant laws and ethical standards
- > Employees behave as professionals, and
- > Employees do not disclose (without appropriate consent) confidential information.

In relation to the community at large, the Code of Conduct refers to Adelaide Managed Fund's obligation to contribute to the well being of the community, to demonstrate social responsibility, to be honest in business dealings, to exercise prudent financial management and to engage in activities which are not detrimental to the environment.

Unit ownership and trading policy

The Board has adopted an Insider Trading Policy in relation to trading in securities by Directors and staff. The key features of the policy, aimed at ensuring appropriate practice by Directors and staff, are:

- > A Director or employee must not subscribe for or trade in Units in the Fund when to do so would breach the law concerning insider trading
- > Subject to that overriding requirement, Executives, Directors and staff may subscribe or trade in the period of six weeks commencing the business day after the public release of interim or full year financial results for the Fund, or after first obtaining appropriate authority. In the case of Executives that authority is required from the Bendigo and Adelaide Bank Group Managing Director and in the case of Directors, after first obtaining the authority of the Board and in the case of staff after obtaining the authority of the Chief Executive Officer
- > All trades by an Executive or Director are to be notified to the Adelaide Managed Funds Secretary and, in the case of Directors, are recorded in the minutes of the next Board meeting
- > The Adelaide Managed Funds Secretary is required to provide Directors and Executives with up to date guidelines in relation to the law on insider trading; and
- > The policy extends to options and financial products created over, or in respect of, Units in the Fund.

Each dealing by a Director in Units in the Fund must be reported to Adelaide Managed Funds' Board and notified by Adelaide Managed Funds to the ASX, whilst each dealing by an Executive or Director must be reported to the Adelaide Managed Funds Company Secretary.

A copy of the Insider Trading Policy is available on Adelaide Managed Funds' website.

Access to information and independent advice

The Board has adopted a procedure whereby Directors are entitled to take independent professional advice at the expense of Adelaide Managed Funds. In addition, the Board has full access to Adelaide Managed Funds' records.

Integrity in financial reporting

Adelaide Managed Funds is committed to integrity and quality in its financial reporting.

As mentioned above, the Board has established an Audit and Risk Management Committee with one of its roles being to review the integrity of the Fund's financial reporting. The Committee reviews the financial statements of the Fund. The Committee consists of three members, a majority of whom are Independent, Non-Executive Directors. The Charter of the Committee specifies a number of duties for the Committee, including:

- > To assess the appropriateness of the Fund's accounting policies and principles and disclosures and any changes to them
- > To ensure that management has in place an effective internal control system over financial reporting
- > To review the effectiveness of the Fund's financial reporting
- > To discuss with management and the external auditor the financial report of the Fund
- > To assess whether the financial report represents a true and fair view of the Fund's financial position and performance and complies with regulatory requirements
- > To review and approve the scope of the external audit plan and work program
- > To oversee Adelaide Managed Funds' compliance with statutory requirements and professional accounting requirements, and
- > To ensure the external auditor is not engaged to provide services that may impair or appear to impair judgement or independence.

Corporate governance

Timely and balanced disclosure

In recognition of Adelaide Managed Funds' obligations to make ongoing disclosures to ASX and ASIC as Responsible Entity of the Fund, Adelaide Managed Funds has developed a Continuous Disclosure Compliance System. The system consists of a Board policy and a set of procedures to be followed by Directors and Executives to ensure compliance with ASX Listing Rules and Corporations Act requirements and accountability for compliance at senior management level.

The Board policy includes a commitment to compliance with the spirit, intention, purpose and substance of the continuous disclosure obligations imposed by the ASX Listing Rules and the Corporations Act. Adelaide Managed Funds' procedures have been adopted by the Board as part of its compliance system and all Directors and Executives are required to observe the requirements of the system.

The procedures are as follows:

- > Provide definition as to the type of information which is required to be disclosed
- > Set out a process and allocate responsibility for determining whether information is required to be disclosed
- > Provide for obtaining external advice where appropriate and allocate responsibility for final decisions about disclosure
- > Include a requirement for regular communications concerning the requirements of the ASX Listing Rules and Corporations Act to Directors and Executives and a requirement that the issue be a standing agenda item for Board meetings
- > Include a requirement for posting announcements on Adelaide Managed Funds' website
- > Include a process for managing the issue of market speculation and media comment, and
- > Address the issue of the confidentiality of corporate information where appropriate.

Communications with Unitholders

The Board encourages communications between Adelaide Managed Funds and the holders of Units in the Fund. The Board acknowledges the importance of Unitholders receiving accurate and timely information about the Fund. The Board's strategy to promote effective communication with Unitholders consists of the following elements:

- > Regular announcements are made to the market
- > All relevant announcements made to the market and all related information (such as information provided to analysts or media during briefings) are accessible from Adelaide Managed Funds' website after they have been released to ASX
- > The full text of all notices of meeting and explanatory material are placed on Adelaide Managed Funds' website, and
- > Investor briefings are considered an effective forum in which to provide information to Unitholders. Such briefings will be held from time to time.

Risk management

The Fund is exposed to a wide variety of risks and accordingly Adelaide Managed Funds' ability to identify, manage and report on those risks is a key component of the Fund's success.

The principal risks can be described as:

- > Credit risk – the risk of loss from a counterparty defaulting in meeting its contractual obligations.
- > Operational risk – the risk of loss from failed internal processes, people and systems, or from external events.
- > Liquidity risk – the risk that the Fund will have insufficient funds to meet its obligations in an orderly fashion.
- > Market risk – the risk that changes in market interest rates or other variables will negatively affect the Fund's earnings.

The key aspects of Adelaide Managed Funds' approach to risk management are:

- > In setting the risk strategy of the Fund the Board adopts appropriate policies in relation to the identification, assessment, management and monitoring of the above risks. All Board policies, including those concerning risk management, are subject to annual review, thereby ensuring the same remain appropriate for the risks applicable to the Fund.
- > Executives of Adelaide Managed Funds have been allocated responsibility for the management of those risks, by implementing procedures and processes for the Fund. Whilst there are central policy units charged with responsibility for ensuring Adelaide Managed Funds has appropriate infrastructure for identification and assessment of risk, day to day risk management clearly rests with line managers.
- > The Audit and Risk Management Committee and Investment Committee assist the Board in fulfilling its responsibilities in relation to risk management.
- > Relevant Executives provide detailed reporting to the Committees regarding risk management.
- > The Audit and Risk Management Committee Charter includes the oversight of Adelaide Managed Funds' internal control systems.
- > The Board has engaged an internal audit service provider to review internal controls. The internal audit service provider is independent of the external auditor. The internal audit service provider has full access to the records of risk and control assessments, particularly for the purpose of internal audit planning and the conduct of internal audit reviews.
- > The internal audit service provider reports to each of the Board and Management, and has full access to Management and the right to seek information and explanations about issues identified during their reviews.

Board and management performance

Adelaide Managed Funds recognises that the success of the Fund depends in part upon the performance of the Board and senior management team.

Adelaide Managed Funds' process for enhancing Board and management performance includes the following elements:

- > Adelaide Managed Funds has a comprehensive induction program for new Directors and Executives. The program for Directors includes meetings with Executives and Senior Managers.
- > Through the office of the Chair, Directors are able to take independent professional advice at Adelaide Managed Funds' expense. Adelaide Managed Funds may be entitled to be reimbursed for such expenditure from the assets of the Fund.
- > A performance evaluation for the Board, its Committees and its members will be conducted on a periodic basis. The evaluation takes the form of a series of statements concerning the performance of the Board, its members, its Committees and the Executives of Adelaide Managed Funds. Each Director is required to complete the evaluation and discuss the same individually with the Chair of the Board. The results of the evaluation are subsequently reviewed and discussed at a Board meeting. The evaluation questions are reviewed to ensure they remain current.
- > The performance of key Executives is evaluated in two ways. Each key Executive is set key performance indicators and performance is formally reviewed on an annual basis. In addition, key Executives regularly attend meetings of the Board and its Committees which enables the Board to evaluate their performance. A performance evaluation of key Executives took place during the year in accordance with this process.
- > Adelaide Managed Funds has a commitment to providing continuing information to its Directors in relation to industry issues and trends, as well as to continuing development of its Executives.
- > As Executives and other staff are made available to Adelaide Managed Funds by Bendigo and Adelaide Bank to provide services under agreements between Adelaide Managed Funds and Bendigo and Adelaide Bank, the Board of Adelaide Managed Funds monitors the performance of Bendigo and Adelaide Bank against the relevant contractual obligations.

Remuneration

Directors and Executives are not remunerated out of Fund property. Further information on amounts paid to Adelaide Managed Funds out of Fund property is disclosed in the Product Disclosure Statement and financial report.

All Executives involved in the management of the Fund are employees of Bendigo and Adelaide Bank. Adelaide Managed Funds considers recommendation 8.2 of the ASX Corporate Governance Council's recommendations in relation to distinguishing the nature of Executive remuneration from that of Non-Executive Director remuneration is not relevant to the Fund.

Application to Bendigo and Adelaide Bank

Many services to the Fund are provided by Bendigo and Adelaide Bank staff under service agreements between Adelaide Managed Funds and Bendigo and Adelaide Bank. References in Adelaide Managed Funds' frameworks and policies to the responsibilities of Executives, management, staff or employees and the practices of Adelaide Managed Funds in respect of Executives, management, staff or employees apply to these individuals when providing services in respect of the Fund notwithstanding they are also employees of Bendigo and Adelaide Bank.

Annual Financial Report for the year
ending 30 June 2009

ARSN 120 038 002

Financial Report

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results

Directors' report

In accordance with the Corporations Act 2001, the Directors of Adelaide Managed Funds Ltd ('AMF') (ABN 81 062 274 533), the Responsible Entity of the Adelaide Managed Funds Asset Backed Yield Trust (the 'Fund') (ARSN 120 038 002), submit their report for the Fund for the year ended 30 June 2009.

The manager

Adelaide Managed Funds Ltd has acted in the capacity of Responsible Entity of the Fund for the year ended 30 June 2009. Bendigo and Adelaide Bank Ltd ('Bendigo and Adelaide Bank') is the Custodian and Service Provider and as such has prepared these accounts.

Directors

The names of the Directors of Adelaide Managed Funds Ltd during the year and until the date of this report (unless stated otherwise) are:

| | |
|------------|------------------------|
| J L Dawson | (resigned 07/08/2009) |
| J McPhee | (resigned 07/08/2009) |
| S Treanor | |
| N Fox | |
| A Baum | |
| B Speirs | (appointed 07/08/2009) |

Principal activities

The principal activity of the Fund during the year was the investment in notes backed by a range of loans and receivables including margin loans, non-conforming residential mortgages, agricultural managed investment schemes and medical equipment loans and leases. There has been no significant change in the nature of this activity during the year.

Results

The performance of the Fund for the year ended 30 June 2009, as represented by the results of its operations, was as follows:

| | |
|---|---------------|
| Interest income | \$20,405,932 |
| Finance costs - | |
| Distribution to Unitholders: | \$16,359,018 |
| The total value of assets - | |
| held by the Adelaide Managed Funds Asset Backed Yield Trust as at 30 June 2009 was: | \$184,541,319 |
| held by the Adelaide Managed Funds Asset Backed Yield Trust as at 30 June 2008 was: | \$198,964,442 |
| Management fees - | |
| payable to Adelaide Managed Funds Ltd during the 2009 financial year were | \$1,973,110 |
| payable to Adelaide Managed Funds Ltd during the 2008 financial year were | \$2,028,262 |
| The total number of Units - | |
| issued as at 30 June 2009 was | 94,115,809 |
| issued as at 30 June 2008 was | 98,820,622 |

Fund information

The Fund is an Australian registered Trust. Adelaide Managed Funds Ltd, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at The Bendigo Centre, PO Box 480, Bendigo, VIC, 3552.

At 30 June 2009 the Fund had no employees.

Review of operations

The Fund maintained its holding of asset backed securities, with portfolio exposure to margin loans, non-conforming residential mortgages, agricultural managed investment schemes and medical equipment loans and leases. The revenue earned by the Fund was derived solely as interest from its cash and investment holdings.

The proposed acquisition of the Fund by Bendigo and Adelaide Bank during the year resulted in the Fund incurring one-off costs associated with the assessment of that proposal equal to \$1,605,000. The proposed acquisition did not proceed. An impairment of \$4,335,000 has been noted against the Fund's agricultural managed investment scheme investment during the year ended 30 June 2009.

Distributions

During the year distributions were made for the quarter ended 30 September 2008 of 5.50 cents per Unit, for the quarter ended 31 December 2008 of 5.50 cents per Unit and for the quarter ended 31 March 2009 of 1.60 cents per Unit. On 19 June 2009, an estimated final distribution of 4.50 cents per Unit was proposed. However, at its meeting on 7 August 2009, the Board resolved to pay a final distribution of 4.574 cents per Unit.

Significant changes in the state of affairs

During the year there was no significant change in the state of affairs of the Fund other than that referred to in the financial statements or notes thereto.

Significant events after balance date

No other matter or circumstance has arisen since 30 June 2009, not otherwise dealt with in this report or the financial statements that has significantly affected or may significantly affect:

- (i) the operation of the Fund in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Fund in subsequent financial periods.

Likely developments

In the opinion of the Directors, disclosure of any further information on likely developments would be prejudicial to the Fund.

Environmental issues

The operations of the Fund are not subject to particular or significant environmental regulations under a Commonwealth, State or Territory Law. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Insurance and indemnification for officers or auditors

Indemnification

The Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the Responsible Entity or an auditor of the Fund. So long as the officers of both the Manager and the Custodian act in accordance with the Constitution/Trust Deed and the Law, both parties remain fully indemnified out of the assets of the Fund against any losses incurred while acting on behalf of the Fund.

Insurance Premiums

During the financial year the Responsible Entity has paid premiums in respect of its Directors and officers for liability and legal expenses on insurance contracts for the financial year ended 30 June 2009. This entity has paid or agreed to pay in respect of the Fund, premiums in respect of such insurance contracts for the financial year ending 30 June 2010. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been directors of the Responsible Entity or executive officers of the Responsible Entity and this entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

Auditor's Independence Declaration

The audit of this financial report is in accordance with the declaration "Auditor's Independence Declaration to the Directors of Adelaide Managed Funds Ltd as Responsible Entity for Adelaide Managed Funds Asset Backed Yield Trust" on page 23.

Rounding

The amounts contained in this report and the financial report have been rounded to the nearest thousand where rounding is applicable, under the option available to the Fund under ASIC Class Order 98/0100. The Fund is an entity to which this Class Order applies.

This report has been made in accordance with the resolution of Directors.



Jennifer Lynn Dawson
Chairman
7 August 2009
Adelaide

Auditor's report



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Independent auditor's report to the unitholders of Adelaide Managed Funds Asset Backed Yield Trust

We have audited the accompanying financial report of Adelaide Managed Funds Asset Backed Yield Trust (the Fund), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in net assets attributable to unitholders and cash flow statement for the year ended on that date, a summary of significant policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report.

Auditor's Opinion

In our opinion:

1. the financial report of Adelaide Managed Funds Asset Backed Yield Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Adelaide Managed Funds Asset Backed Yield Trust at 30 June 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Colin Dunsford'.

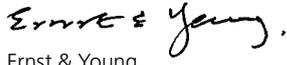
Colin Dunsford
Partner
Adelaide
7 August 2009



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**Auditor's Independence Declaration to the Directors of Adelaide Managed Funds as Responsible Entity
for the Adelaide Managed Funds Asset Backed Yield Trust**

In relation to our audit of the financial report of Adelaide Managed Funds Asset Backed Yield Trust for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Colin Dunsford'.

Colin Dunsford
Partner
Adelaide
7 August 2009

Financial statements

| Income statement for the year ended 30 June 2009 | Note | Jun-09 \$000's | Jun-08 \$000's |
|---|------|--------------------------------|--------------------------------|
| Income | | | |
| Interest income | 3(a) | 20,406 | 24,694 |
| Interest income from Second Instalment | | - | 1,365 |
| Total interest income | | 20,406 | 26,059 |
| Expense | | | |
| Operating expenses | 3(b) | 2,126 | 2,219 |
| Impairment provision | 3(c) | 4,335 | - |
| Costs associated with assessing proposed acquisition | 3(d) | 1,605 | - |
| | | 8,066 | 2,219 |
| Earnings before interest and taxation | | 12,340 | 23,840 |
| Net interest expense | 3(f) | 316 | 1,429 |
| Net profit attributable to Unitholders | | 12,024 | 22,411 |
| Finance costs – distribution to Unitholders | 3(e) | 16,359 | 21,046 |
| Change in net assets attributable to Unitholders | | (4,335) | 1,365 |
| Earnings per Unit – basic and diluted | | Cents per Unit 17.13 | Cents per Unit 21.13 |

| Balance sheet as at 30 June 2009 | Note | Jun-09 \$000's | Jun-08 \$000's |
|---|-------------|---------------------------|---------------------------|
| Assets | | | |
| Cash | 4(a) | 5,164 | 6,656 |
| Trade and other receivables | 5 | 942 | 1,285 |
| Loans and receivables | 6 | 178,435 | 191,023 |
| Total assets | | 184,541 | 198,964 |
| Liabilities | | | |
| Trade and other payables | 7 | 521 | 584 |
| Interest bearing liabilities | 8 | - | 1,250 |
| Distribution payable | 9 | 4,450 | 6,344 |
| Total liabilities excluding net assets attributable to Unitholders | | 4,971 | 8,178 |
| Net assets attributable to Unitholders | | 179,570 | 190,786 |
| Represented by: | | | |
| Unitholders' funds | 10 | 176,013 | 182,894 |
| Retained earnings | | 3,557 | 7,892 |
| Net assets attributable to Unitholders | | 179,570 | 190,786 |

Financial statements

| Statement of changes in net assets attributable to Unitholders for the year ended 30 June 2009 | Jun-09 \$000's | Jun-08 \$000's |
|---|---------------------------|---------------------------|
| Net assets attributable to Unitholders at the beginning of the year | 190,786 | 191,247 |
| Unit buy back | (6,881) | (1,797) |
| Capitalised issue costs | - | (29) |
| Net profit attributable to Unitholders | 12,024 | 22,411 |
| Distribution to Unitholders | (16,359) | (21,046) |
| Net assets attributable to Unitholders at the end of the year | 179,570 | 190,786 |

| Cash flow statement for the year ended 30 June 2009 | Note | Jun-09 \$000's | Jun-08 \$000's |
|--|-------------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Interest received on investments | | 20,613 | 23,928 |
| Interest received on cash deposit | | 262 | 630 |
| Interest expense on borrowings | | (280) | (1,445) |
| Manager fee paid | | (1,946) | (2,167) |
| GST refunded | | 2 | 169 |
| Payments to service providers | | (1,886) | (233) |
| Net cash flows from operating activities | 4(b) | 16,765 | 20,882 |
| Cash flows from financing activities | | | |
| Receipts from Unitholders | | - | 100,000 |
| Unit buyback | | (6,881) | (1,774) |
| Distributions to Unitholders | | (18,253) | (20,654) |
| Proceeds from borrowings | | 1,000 | 8,100 |
| Repayment of borrowings | | (2,250) | (105,550) |
| Net cash flows used in financing activities | | (26,384) | (19,878) |
| Cash flows from investing activities | | | |
| Investments acquired | | - | (8,685) |
| Investments repaid | | 8,127 | 8,120 |
| Net cash flows from/(used in) investing activities | | 8,127 | (565) |
| Net increase in cash and cash equivalents | | (1,492) | 439 |
| Cash and cash equivalents held at the beginning of the financial year | | 6,656 | 6,217 |
| Cash and cash equivalents held at the end of the financial year | | 5,164 | 6,656 |

Notes to the financial statements

Note 1: Corporate information

The financial report of Adelaide Managed Funds Asset Backed Yield Trust for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 7 August 2009.

Adelaide Managed Funds Asset Backed Yield Trust is an Australian registered Trust, constituted in August 2006. Adelaide Managed Funds Ltd, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at The Bendigo Centre, PO Box 480, Bendigo, VIC, 3552. The Fund is listed on the Australian Stock Exchange.

Note 2: Summary of significant accounting policies

(a) Basis of accounting. The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements have also been complied with.

The financial report has been prepared on a historical cost convention. The balance sheet is presented on a liquidity basis. The financial report is presented in Australian dollars.

(b) Application of Accounting Standards. The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations that recently have been issued or amended but are not yet effective and have not been adopted for the reporting period ended 30 June 2009:

Note 2: Summary of significant accounting policies, continued.

| Reference | Title | Summary | Application date of standard | Impact on financial report | Application date for Fund |
|--|--|---|-------------------------------------|---|----------------------------------|
| AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 | Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards | <p>Introduces a statement of comprehensive income.</p> <p>Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.</p> | 1/1/2009 | These amendments are only expected to affect the presentation of the Fund's financial report and will not have a direct impact on the measurement and recognition amounts disclosed in the financial report. The fund has not determined at this stage whether to present a single statement of comprehensive income or two separate statements | 1/7/2009 |
| AASB 2008-5 | Amendments to Australian Accounting Standards arising from the Annual Improvements Project | <p>The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.</p> <p>This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 (refer below AASB 2008-6).</p> | 1/1/2009 | The Fund has not yet determined the extent of the impact of the amendments, if any. | 1/7/2009 |
| AASB 2008-6 | Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project | <p>This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project.</p> <p>Refer to AASB 2008-5 above for more details.</p> | 1/7/2009 | The Fund has not yet determined the extent of the impact of the amendments, if any. | 1/7/2009 |

Notes to the financial statements

Note 2: Summary of significant accounting policies, continued.

| Reference | Title | Summary | Application date of standard | Impact on financial report | Application date for Fund |
|-------------|---|--|---|---|---------------------------|
| AASB 2009-2 | Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038] | <p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <ul style="list-style-type: none"> > quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); > inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and > inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). <p>These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p> | Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009. | These amendments are only expected to impact upon the presentation of fair value measurements, such that the source of inputs are disclosed in accordance with the three-level hierarchy. | 1/7/2009 |
| AASB 2009-4 | Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] | <p>The amendments to some Standards result in accounting changes for presentation, recognition, or measurements purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The amendments pertaining to IFRS 5,8, IAS 1,7,17,36 and 39 have been issued in Australia as AASB 2009-5.</p> | 1/7/2009 | The Fund has not yet determined the extent of the impact of the amendments, if any. | 1/7/2009 |

Note 2: Summary of significant accounting policies, continued.

| Reference | Title | Summary | Application date of standard | Impact on financial report | Application date for Fund |
|-------------|--|--|------------------------------|---|---------------------------|
| AASB 2009-5 | Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,8,101,107,117,118, 136 & 139] | <p>The Amendments to some Standards result in accounting changes for presentation, recognition, or measurements purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main Amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined.</p> <p>These amendments arise from the issuance of the IASB's Improvements to IFRSs. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4.</p> | 1/1/2010 | The Fund has not yet determined the extent of the impact of the amendments, if any. | 1/7/2010 |

All other standards, amendments and interpretations that have been issued up to the date of signing, but are not yet effective, are not relevant to the entity and will have no impact on the results, financial position or disclosures by the entities.

(c) Significant accounting judgements, estimates and assumptions**Significant accounting judgements**

In the process of applying the Fund's accounting policies, management has made judgements, apart from those involving estimations, which have an impact on the amounts recognised in the financial statements. No judgements have been determined to be individually significant.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of assets

The Fund determines whether the assets are impaired at least annually. This requires an estimation of the value of the future cashflows. The Fund's policy on impairment is disclosed in Note 2(g).

(d) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet and for the purpose of the cash flow statement includes cash at bank, bank deposits held at call and short term investments with original maturity of three months or less.

(e) Trade and other receivables

Receivables are amounts where settlement has not yet occurred. Receivables are carried at original amounts less any provision for uncollectible amounts. Interest is accrued at the reporting date from the last payment. Amounts are generally received within 30 days of being

recorded as receivables. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

(f) Investments

Investments are classified as loans and receivables. It is the Fund's intention to hold these investments to maturity.

Loans and receivables have fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective yield method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These assets are derecognised when the rights to receive cash flows have expired or the Fund has transferred substantially all the risks and rewards of ownership.

Notes to the financial statements

Note 2: Summary of significant accounting policies, continued.

(g) Impairment of assets

Loan and investment assets are regularly reviewed to assess whether there is objective evidence that the loan asset or group of assets is impaired. If there is objective evidence that an impairment loss on the investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of a provision account. The amount of the loss shall be recognised in the income statement.

A specific provision is made for all identified impaired loans and investments, and is recognised when there is reasonable doubt over the collectability of the principal balance and the interest in accordance with the respective loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as irrecoverable.

If it is determined that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, the asset is included in a group of assets according to their credit risk characteristics and that group of assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. Adjustments to the collective provisions are recognised as an expense to the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

(h) Trade and other payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund, and include outstanding settlements on the purchase of investments and distributions payable. The carrying period is dictated by market conditions and is generally less than 30 days. Payables are measured at amortised cost.

(i) Interest bearing liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process. Interest when charged by the lender is recognised as an expense on an accrual basis.

(j) Revenue

Interest income is recognised to the extent that it is probable the economic benefits will flow to the Fund and the income can be reliably measured. Interest income is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(k) Distributable income

Distributable Income will be a minimum of the Fund's taxable income for the relevant distribution period. However, if adjusted accounting income is greater than the Fund's taxable income, the Responsible Entity may distribute up to the amount of the adjusted accounting income.

(l) Distribution of income

Income is distributed to Unitholders post the end of each quarter.

(m) Income tax

Under current Income Tax Legislation, the Fund is not liable to pay income tax provided the Unitholders are presently entitled to the income of the Fund and the Fund fully distributes its taxable income.

(n) Goods & services tax (GST)

Expenses incurred by the Fund are recognised net of the amount of GST that can be recovered from the Australian Taxation Office (ATO). Amounts recognised as receivables and payables at balance date are inclusive of GST. Reduced input tax credits (RITC) recoverable by the Fund from the ATO are recognised as receivables in the Balance Sheet.

(o) Terms and conditions of Units on issue

Each Unit confers upon the Unitholder an equal interest in the Fund and is of equal value. A Unit does not confer an interest in any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- > have their Units redeemed;
- > receive income distributions;
- > attend and vote at meetings of Unitholders; and
- > participate in the termination and winding up of the Fund.

(p) Net assets attributable to Unitholders

Net assets attributable to Unitholders are represented by the residual interest in the assets of the Fund after deducting its liabilities. It is represented by units to be issued and undistributed income attributable to Unitholders (otherwise termed as changes in net assets attributable to Unitholders). Costs directly attributable to the issue of units are shown in net assets attributable to Unitholders as a deduction, from the proceeds of issuance.

(q) Derecognising of assets and liabilities

The derecognition of a financial instrument takes place when the Fund no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Note 3: Income, Expenses and distribution to Unitholders

| | Jun-09 \$000's | Jun-08 \$000's |
|---------------------------------|-------------------|-------------------|
| (a) Finance income | | |
| Income from investments | 20,531 | 24,712 |
| Interest income | - | 107 |
| Capitalised costs | (125) | (125) |
| Total finance income | 20,406 | 24,694 |
| (b) Operating expenses | | |
| Custodian fee | 20 | 20 |
| Manager's remuneration | 1,973 | 2,028 |
| Other operating expenses | 133 | 171 |
| Total operating expenses | 2,126 | 2,219 |
| (c) Impairment provision | | |
| Impairment provision | 4,335 | - |
| | 4,335 | - |

An impairment of \$4,335,000 has been noted against the Fund's agricultural managed investment scheme investment during the year ended 30 June 2009. This impairment provision reflects managements best estimate of future losses on the MIS Program as at 30 June 2009.

(d) Costs associated with assessing proposed acquisition

| | | |
|--|--------------|---|
| Costs associated with assessing proposed acquisition | 1,605 | - |
| | 1,605 | - |

The proposed acquisition of the Fund by Bendigo and Adelaide Bank resulted in the Fund incurring one-off costs associated with the assessment of that proposal. The proposed acquisition did not proceed.

(e) Finance costs - distribution to Unitholders

| | Cents per unit | Jun-09 \$'000 | Cents per unit | Jun-08 \$'000 |
|---|-------------------|------------------|-------------------|------------------|
| Accrued distribution at the beginning of the period | (6.42) | (6,344) | (5.95) | (5,952) |
| Distributions paid during the period | 18.95 | 18,253 | 20.66 | 20,654 |
| Accrued distribution proposed and payable on 14 August 2009 | 4.57 | 4,305 | 6.35 | 6,275 |
| Accrued distribution payable to Unitholders | 0.15 | 145 | 0.07 | 69 |
| Total finance costs | 17.25 | 16,359 | 21.13 | 21,046 |

| | | |
|---|--------|--------|
| Weighted average number of Units for the calculation of earnings per Unit | 95,507 | 99,746 |
|---|--------|--------|

The distribution to Unitholders is higher than the net profit attributable to Unitholders due to the non-cash implication of the impairment provision.

(f) Borrowing costs

| | | |
|--------------------------------|------------|--------------|
| Interest expense on borrowings | 316 | 1,429 |
| | 316 | 1,429 |

Notes to the financial statements

Note 4: Cash and cash equivalents

| | Jun-09 \$000's | Jun-08 \$000's |
|---|-------------------|-------------------|
| (a) Reconciliation of cash and cash equivalents | | |
| For the purposes of the balance sheet and cash flow statement, cash and cash equivalents comprise: | | |
| Cash at bank balance | 5,164 | 6,656 |
| Cash investments are valued in accordance with accounting policy note 2(d) | | |
| Average balance | 5,045 | 7,289 |
| Average interest rate | 5.41% | 7.16% |
| Maturity analysis based on remaining term to maturity at 30 June 2009 | | |
| At call | 5,164 | 6,656 |
| (b) Reconciliation of net profit attributable to Unitholders to net cash flows from operating activities | | |
| Net profit attributable to Unitholders | 12,024 | 22,411 |
| Adjustments for non cash movements | | |
| Interest from second instalment | - | (1,365) |
| Provision for impairment | 4,335 | - |
| Other expenses | - | (51) |
| Changes in assets and liabilities | | |
| (Increase)/decrease in receivables | 469 | (128) |
| Increase/(decrease) in payables | 63 | 15 |
| Net cash flows from operating activities | 16,765 | 20,882 |

Note 5: Trade and other receivables

| | | |
|---|------------|--------------|
| Receivables other | 12 | 12 |
| Accrued interest | 930 | 1,273 |
| | 942 | 1,285 |
| Maturity analysis based on remaining term to maturity at 30 June 2009 | | |
| Less than 3 months | 942 | 1,285 |

Note 6: Loans and receivables

| | | |
|---|----------------|----------------|
| Loans and receivables at amortised cost | 182,500 | 190,626 |
| Acquisition costs | 270 | 397 |
| Provision for impairment - specific | (4,335) | - |
| | 178,435 | 191,023 |
| Provision for impairment - specific | | |
| Opening balance | - | - |
| Specific investment provision for during the year | 4,335 | - |
| Closing balance | 4,335 | - |

An impairment of \$4,335,000 has been noted against the Fund's agricultural managed investment scheme investment during the year ended 30 June 2009, due to reasonable doubt over the collectability of the principal balance and the interest in accordance with the respective loan agreement.

Note 6: Loans and receivables, continued.

| | Jun-09 | Jun-08 |
|---|----------------|----------------|
| | \$000's | \$000's |
| Investments in margin lending programs | 125,109 | 125,109 |
| Investments in non-conforming mortgage programs | 21,009 | 22,742 |
| Investments in medical finance programs | 13,153 | 14,253 |
| Investments in MIS programs (net of provision) | 18,894 | 28,522 |
| Acquisition costs | 270 | 397 |
| | 178,435 | 191,023 |
| Average balance of investments | 191,237 | 196,595 |
| Average interest rate | 10.73% | 12.56% |

Note 7: Trade and other payables

| | | |
|--------------------------------|------------|------------|
| Interest payable | - | 37 |
| Manager/Responsible Entity fee | 521 | 547 |
| | 521 | 584 |

Note 8: Interest bearing liabilities

| | | |
|------------|----------|--------------|
| Borrowings | - | 1,250 |
| | - | 1,250 |

Note 9: Distributions proposed

The distribution payable is as follows:

| | | |
|--|--------------|--------------|
| Final Unit distributions proposed for the year ended 30 June 2009 (payable 14 August 2009) | 4,305 | 6,275 |
| Accrued distribution payable to Unitholders | 145 | 69 |
| | 4,450 | 6,344 |

| | | |
|--|----------------|----------------|
| | Cents per Unit | Cents per Unit |
| Final Unit distributions proposed for the year ended 30 June 2009 (payable 14 August 2009) | 4.57 | 6.35 |

Note 10: Unitholders' funds

| | | |
|--|----------------|----------------|
| Unit issue – 31 August 2006 | 100,000 | 100,000 |
| Unit issue – Second Instalment received 31 August 2007 | 92,107 | 92,107 |
| Unit buyback | (8,678) | (1,797) |
| Capitalised issue costs | (7,416) | (7,416) |
| | 176,013 | 182,894 |

Note 11: Auditors' remuneration

| | | |
|---|--------|--------|
| | Jun-09 | Jun-08 |
| | \$ | \$ |
| The audit fee paid/payable by Adelaide Managed Funds Limited to Ernst & Young on behalf of the Fund | 26,500 | 26,000 |

Note 12: Segment information

The Fund operates in one business segment, being investment management. The Fund also operates from one geographic location, being Australia, from where its investing activities are managed. Revenue is derived from interest/distributions on investments.

Notes to the financial statements

Note 13: Financial instruments

The Fund's principal financial instruments comprise cash and investments. The main purpose of these financial instruments is to generate a return on Unitholders Funds. The Fund has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Fund does not enter into or trade financial instruments for speculative purposes.

The main risks arising from the Fund's financial instruments are interest rate risk, liquidity and cash flow risk, credit risk and market risk. The Responsible Entity reviews and agrees policies for managing these risks. The objectives, policies and process for managing these risks is disclosed below.

(a) Net fair values. The Fund's trade and other receivables assets are valued in accordance with note 2(e).

It is the Fund's intention to hold investments to maturity and recover the carrying value through future cash flows received. Under AASB 7 however, the Fund is required to place fair value on the loan and receivable investments.

For the purposes of the fair value disclosure requirements under AASB 7, the calculation assumes that the Fund is required to liquidate its entire portfolio of investments immediately under current market conditions.

Many of the Fund's investments are illiquid. As a result, the Fund's ability to vary its portfolio in a timely fashion, to dispose of any or all assets or to receive a fair price for assets in response to changes in economic and other conditions may be limited. Furthermore, as the Fund acquires investments for which there is not a readily available market, the Fund's ability to obtain reliable information about the value of such investments may be limited.

Given the nature of estimations involved, the actual realised value for the portfolio in the event that it was liquidated may be higher or lower than the fair value disclosed. In determining fair value, the expected net cash flows applicable to each investment have been discounted to their present value, applying management assumptions of a discount rate equal to 2% for those investments that are not publically rated, and a further discount equal to 25% where a market for selling these assets immediately is not readily available.

Management's estimate of fair value as at 30 June 2009 is \$81,141,441 as compared to carrying value of \$178,164,451 (2008 fair value was \$84,318,298 as compared to carrying value of \$190,626,137).

The difference noted between the carrying value and estimated fair value as at 30 June 2009 does not necessarily indicate impairment with regard to the loan and receivable investments. The carrying value of these investments will be recovered over the term to maturity through future cash flows as noted above.

(b) Interest rate risk exposures. Interest rates are managed on the basis that all of the Investments earn a floating rate return. Accordingly, distributions to Unitholders and the forecast annualised distribution yield for the period from allotment to 30 June 2009 have moved up or down in line with changes in interest rates.

| | Weighted avg effective interest rate | Closing balance | Weighted avg effective interest rate | Closing balance |
|----------------------------|---|--------------------|---|--------------------|
| | Jun-09 % p.a. | Jun-09 \$000's | Jun-08 % p.a. | Jun-08 \$000's |
| Financial asset | | | | |
| Cash | 5.41% | 5,164 | 7.16% | 6,656 |
| Investments | 10.73% | 178,435 | 12.56% | 191,023 |
| Financial liability | | | | |
| Debt facility | 8.58% | - | 7.26% | 1,250 |

Interest rate sensitivity based on balances as at 30 June 2009:

| | Increase in interest rate | Sensitivity of profit & loss (\$'000's) | Decrease in interest rate | Sensitivity of profit & loss (\$'000's) |
|----------------------------|------------------------------|--|------------------------------|--|
| Financial asset | | | | |
| Cash | +1.00% | 52 | -0.50% | -26 |
| Investments | +1.00% | 1,784 | -0.50% | -892 |
| Financial liability | | | | |
| Debt facility | +1.00% | - | -0.50% | - |

Note 13: Financial instruments, continued.

Maturity Analysis based on remaining term to maturity at 30 June 2009:

| | Jun-09 \$000's | Jun-08 \$000's |
|--------------------------------|-------------------|-------------------|
| Cash | | |
| Less than 3 months | 5,164 | 6,656 |
| Total cash | 5,164 | 6,656 |
| Investments | | |
| Less than 3 months | - | - |
| Between 3 months and 12 months | - | 1,100 |
| Between 1 years and 5 years | 178,435 | 189,923 |
| Greater than 5 years | - | - |
| Total investments | 178,435 | 191,023 |

(c) Liquidity and cash flow risk. Many of the Fund's investments are illiquid. As a result of this illiquidity, the Fund's ability to vary its portfolio in a timely fashion, to dispose of underperforming assets or to receive a fair price for assets in response to changes in economic and other conditions may be limited.

Furthermore, as the Fund acquires investments for which there is not a readily available market, the Fund's ability to obtain reliable information about the value of such investments may be limited. The Fund manages its liquidity ratio on a monthly basis.

| Maturity profile 30 June 2009 | Less than 3 months | Between 3 months and 12 months | Between 1 year and 5 years | More than 5 years |
|--------------------------------------|-------------------------------|---|---------------------------------------|------------------------------|
| Interest payable on debt facility | - | - | - | - |
| Management fees accrued | 521,000 | - | - | - |
| Interest bearing liabilities | - | - | - | - |
| Distribution payable to Unitholders | 4,449,767 | - | - | - |
| Total | 4,970,767 | - | - | - |

| Maturity profile 30 June 2008 | Less than 3 months | Between 3 months and 12 months | Between 1 year and 5 years | More than 5 years |
|--------------------------------------|-------------------------------|---|---------------------------------------|------------------------------|
| Interest payable on debt facility | 37,000 | - | - | - |
| Management fees accrued | 547,000 | - | - | - |
| Interest bearing liabilities | 1,250,000 | - | - | - |
| Distribution payable to Unitholders | 6,344,000 | - | - | - |
| Total | 8,178,000 | - | - | - |

There is a \$30,000,000 debt facility available with RBS Group (Australia) Pty Ltd. The facility is rolled on a 30 day basis at the end of each month. The facility has standard debt covenants that include interest cover ratio, average investment rating and weighted average delinquency but can not be called due to changes in the Unit price. As at the date of this

report, the facility is undrawn. This facility is due to expire on 25 August 2009, unless renewed.

The Unitholder Funds are classified as financial liabilities and are not required to be redeemed by the Fund until 2086.

Notes to the financial statements

Note 13: Financial instruments, continued.

(d) Credit risk exposures. Credit risk is one of the major risks faced by the Fund and may be broken down into two main categories:

- > The risk that issuers of assets in which the Fund has invested (usually special purpose securitisation vehicles), are unable to make the interest payments or principal repayments when due; and
- > The risk that the credit quality of the receivables in the underlying portfolio of assets held by the Fund deteriorates.

Obligations of issuers include the payment of scheduled interest and the repayment of the loans at maturity.

Failure by an issuer to make these payments may lead to a reduction in yield and a loss of capital for noteholders. A decline in the credit quality of an investment held by the Fund could occur even though the issuer is meeting its obligations. This could occur in the event that the borrowers in the underlying portfolio of receivables begin to default or if market movements cause the value of security held as a proportion of the debt (loan to valuation ratio) to increase, making it more likely that borrowers will default. A decline in the credit quality of an investment held by the Fund could ultimately result in the issuer failing to meet its obligations or a loss of capital if the asset is sold prior to its maturity at a discount to its redemption rate.

The investment assets of the Fund are located in Australia. The underlying investments of the Fund are backed by high yielding assets including margin loans, non-conforming residential mortgages, agricultural managed investment schemes, medical equipment loans and leases. Refer to Note 6 to review the concentration risk of the investment portfolio.

No impairment has been noted on any other investment as of 30 June 2009.

(e) Market risk exposures

The Fund regularly monitors the concentration of its portfolio and its exposure to any given asset class, single borrower or single issuer. From time to time, the Fund may be less diversified than desired by the Investment Manager, particularly with regards to asset class. This may be driven by attractive yields available in certain asset classes or lack of investment opportunities.

Note 14: Director disclosures

(a) The Directors of Adelaide Managed Funds Ltd during the financial year were:

| |
|------------|
| J L Dawson |
| J McPhee |
| S Treanor |
| N Fox |
| A Baum |

(b) The Fund has not made, guaranteed or secured, directly or indirectly any loans to the Directors or their Director related entities during the year.

(c) The following Directors of Adelaide Managed Funds Ltd held Units in the fund, Mr Jamie McPhee held 90,723 Units, Mrs Nancy Fox held 7,500 Units and Mr Anthony Baum held 10,000 Units in the Fund at year ended 30 June 2009.

No other Directors held any interests during the period covered by these financial reports. All interests held are on arms length basis and under normal circumstances.

(d) There were no key management personnel employed by the Fund.

Note 15: Related parties disclosures

(a) Key management personnel. Disclosures in relation to key management personnel (KMP) during the year and until the date of this report are set out in Note 16.

(b) Other related parties - the Responsible Entity. The Responsible Entity of the Fund is Adelaide Managed Funds Ltd whose immediate and ultimate holding company is Bendigo and Adelaide Bank Ltd.

As at 30 June 2009 the Fund invested \$5,164,008 in an at call account with Bendigo and Adelaide Bank Limited. There are no fees payable on the account and interest earned is equivalent to the Reserve Bank of Australia cash rate.

All remuneration and fees have been calculated in accordance with the Trust Deed/Constitution. Manager/Responsible Entity remuneration amounted to \$1,973,110 (June 2008: \$2,028,262) for the year ended 30 June 2009.

Note 16: Key management personnel

(a) Key management personnel. The key management personnel (KMP) of the Fund only include persons who are KMP of the Responsible Entity. The names of the KMP of the Responsible Entity during the year and until the date of this report (unless otherwise stated) are:

| | |
|------------|--------------------------|
| J L Dawson | Chairman |
| J McPhee | Director |
| S Treanor | Director |
| N Fox | Director |
| A Baum | Director |
| B Speirs | Chief Executive Officer |
| K Masters | Chief Investment Officer |

(b) Compensation of key management personnel. KMP of the Responsible Entity are paid by Bendigo and Adelaide Bank Ltd in their roles as KMP of the Responsible Entity, not of the Fund. KMP of the Responsible Entity are not remunerated by the Fund.

No securities of the Adelaide Managed Funds Asset Backed Yield Trust were granted to any KMP during the year as compensation.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in Note 15(b).

Notes to the financial statements

Note 16: Key management personnel, continued.

(c) Key management personnel's interest in financial instruments issued by the Fund.

Interests in the Units issued by the Fund held by the KMP and their related entities at balance date are as follows:

| | | Jun-09 Units held | Jun-08 Units held |
|------------|--------------------------|----------------------|----------------------|
| J L Dawson | Chairman | - | - |
| J McPhee | Director | 90,723 | 90,723 |
| S Treanor | Director | - | - |
| N Fox | Director | 7,500 | 7,500 |
| A Baum | Director | 10,000 | 50,000 |
| B Speirs | Chief Executive Officer | 50,000 | 10,000 |
| K Masters | Chief Investment Officer | - | 50,000 |

(d) Distributions paid or payable by the Fund to key management personnel.

Distributions paid or payable by the Fund to KMP and their related entities during the year are as follows:

| Distributions paid or payable | | Jun-09 \$ | Jun-08 \$ |
|--------------------------------------|--------------------------|--------------|--------------|
| J L Dawson | Chairman | - | - |
| J McPhee | Director | 15,581 | 14,380 |
| S Treanor | Director | - | - |
| N Fox | Director | 1,288 | 2,025 |
| A Baum | Director | 1,717 | 5,065 |
| B Speirs | Chief Executive Officer | 8,587 | 2,700 |
| K Masters | Chief Investment Officer | 6,300 | 13,502 |

(e) Outstanding balances between the Fund and key management personnel.

Outstanding balances between the Fund and the KMP and their related entities are as follows:

| Distributions payable | | Jun-09 \$ | Jun-08 \$ |
|------------------------------|--------------------------|--------------|--------------|
| J L Dawson | Chairman | - | - |
| J McPhee | Director | 4,150 | 5,761 |
| S Treanor | Director | - | - |
| N Fox | Director | 343 | 476 |
| A Baum | Director | 457 | 635 |
| B Speirs | Chief Executive Officer | 2,287 | 635 |
| K Masters | Chief Investment Officer | - | 3,175 |

Note 16: Key management personnel, continued.

(f) Key management personnel related entities. J Dawson is a Non Executive Director of Bendigo and Adelaide Bank Ltd.

J McPhee is an Executive Director of Bendigo and Adelaide Bank Ltd.

A Baum is an Executive of Bendigo and Adelaide Bank Ltd.

All transactions between the Fund and KMP occurred on normal commercial terms and conditions.

Note 17: Subsequent events

Since 30 June 2009 there has not been any matter or circumstances not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

Directors' declaration

In the opinion of the Directors of Adelaide Managed Funds Ltd:

- (a) the financial statements and notes of the Fund are in accordance with the Corporations Act 2001, including :
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

Signed for and on behalf of the Board of Directors and in accordance with a resolution of the Directors.



Jennifer Lynn Dawson
Chairman
7 August 2009
Adelaide

Unitholder summary

Top 20 holders of fully paid Units as at 31 August 2009

| Rank | Name | Units | Issued capital |
|------|--|-------------------|----------------|
| 1 | J P Morgan Nominees Australia Limited | 10,444,242 | 11.10% |
| 2 | Queensland Investment Corporation | 7,681,948 | 8.16% |
| 3 | The Australian National University | 5,200,000 | 5.53% |
| 4 | UBS Nominees Pty Ltd <Pb Seg A/C> | 5,145,205 | 5.47% |
| 5 | Questor Financial Services Limited <Tps Rf A/C> | 5,118,928 | 5.44% |
| 6 | Equity Trustees Limited | 4,265,878 | 4.53% |
| 7 | Grannette Pty Ltd <Graeme Wood Foundation A/C> | 3,000,000 | 3.19% |
| 8 | Pirie Street Nominees Pty Ltd <Mr John Philip Powell A/C> | 2,874,778 | 3.05% |
| 9 | ANZ Nominees Limited <Cash Income A/C> | 2,366,894 | 2.51% |
| 10 | Cogent Nominees Pty Limited | 2,239,161 | 2.38% |
| 11 | Milton Corporation Limited | 1,500,000 | 1.59% |
| 12 | Bond Street Custodians Limited | 1,463,674 | 1.56% |
| 13 | Jarden Custodians Limited | 1,250,000 | 1.33% |
| 14 | Longtom Superannuation Pty Ltd <Graeme Wood Super Fund A/C> | 1,000,000 | 1.06% |
| 15 | Harburg Nominees Pty Ltd <T W Superannuation Fund A/C> | 940,300 | 1.00% |
| 16 | National Nominees Limited | 734,375 | 0.78% |
| 17 | Capt Jack Holbrook | 560,000 | 0.60% |
| 18 | Questor Financial Services Limited <Tps Pip A/C> | 548,540 | 0.58% |
| 19 | Michael Nesbitt Nominees Pty Ltd <East Maitland Superfund A/C> | 500,000 | 0.53% |
| 20 | Berne No 132 Nominees Pty Ltd <52293 A/C> | 460,000 | 0.49% |
| | TOTAL | 57,293,923 | 60.88% |

Substantial Unitholders as at 31 August 2009

| Name | Units | Issued capital |
|---|-----------|----------------|
| Challenger Financial Services Group Limited | 8,672,578 | 9.21% |
| Queensland Investment Corporation | 8,670,046 | 9.21% |
| Caledonia (Private) Investments Pty Limited | 5,145,205 | 6.32% |
| Blackrock Group | 5,950,808 | 5.47% |

Range of Units as at 31 August 2009

| Range | Total holders | Units | Issued capital |
|------------------|---------------|-------------------|----------------|
| 1 - 1,000 | 25 | 17,340 | 0.02% |
| 1,001 - 5,000 | 356 | 1,340,861 | 1.42% |
| 5,001 - 10,000 | 441 | 3,964,667 | 4.21% |
| 10,001 - 100,000 | 841 | 25,520,656 | 27.12% |
| ≥100,001 | 60 | 63,272,285 | 67.23% |
| TOTAL | 1,723 | 94,115,809 | 100.00% |

Voting rights and unmarketable parcels

Voting rights are one vote per Unit. The number of Unitholders as at 31 August 2009 is 1,723

There were 10 unmarketable parcels (minimum parcel size is 385 Units) held as at 31 August 2009 as follows:

| | Total holders | Units |
|--------------------------------|---------------|-------|
| Minimum \$500 parcel at \$1.30 | 10 | 2,420 |

Additional Fund information

The Fund used the cash and assets in a form readily convertible to cash that it held at the time of admission to the ASX in a way consistent with its business objectives. Adelaide Managed Funds has entered into an Investment Management Agreement under which Bendigo and Adelaide Bank Limited will provide investment management services.

The Investment Management Agreement is based on the Investment and Financial Services Association (IFSA) standard investment management agreement. The Investment Management Agreement sets out the terms on which Bendigo and Adelaide Bank Limited will provide Investment Management Services to the Fund, including:

> The powers and duties of Bendigo and Adelaide Bank Limited in investment decisions on behalf of the Fund

- > The investment instructions and objectives to which Bendigo and Adelaide Bank Limited must adhere when making investment decisions on behalf of the Fund
- > The process for approval by Adelaide Managed Funds of disposals and acquisitions of assets of the Fund
- > Bendigo and Adelaide Bank Limited's remuneration for its investment management services to the Fund
- > Bendigo and Adelaide Bank Limited's reporting obligations, and
- > The circumstances in which the agreement may be terminated, and the responsibilities of Bendigo and Adelaide Bank Limited in connection with the transition of its investment management functions.

Directory

Responsible Entity

Adelaide Managed Funds Limited
ABN 81 062 274 533
AFSL 240517

Registered Office

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Facsimile:
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Email:
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Website:
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Responsible Entity Secretary:
Mr David Oataway and Mr Mark Hall

Auditors

Ernst & Young
121 King William Street
Adelaide SA 5000

Registry

Computershare Investor Services Pty Ltd
Level 5
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(GPO Box 1903)
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