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ASX Announcement

Hastings High Yield Fund (HHY)

Total pages: 56

28 August 2014

Appendix 4E – Report for the year ended 30 June 2014

Please find enclosed the following documents:

A. Results for announcement to the market

B. Commentary on the results

C. Financial report for the year ended 30 June 2014

D. Independent auditor's report

For further enquiries, please contact:

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Jane Frawley
Company Secretary
Hastings Funds Management Limited

A. Results for announcement to the market

	Change from prior corresponding period	**Financial year ended 30 June 2014 ($'000)**	Financial year ended 30 June 2013 ($'000)
Income from ordinary activities	Down 15%	**2,962**	3,470
Profit from ordinary activities after tax attributable to unitholders	Up 1%	**2,366**	2,341
Net profit for the period attributable to unitholders	Up 1%	**2,366**	2,341
Net cashflows from operating activities	Down 73%	**1,543**	5,643

Refer to Section B for commentary on the results.

	Financial year ended 30 June 2014	Financial year ended 30 June 2013
September quarter cash distribution cents per unit (cpu)	**3.59**	**39.00**
Record date to determine entitlements to distribution	30 September 2013	28 September 2012
Payment date for distribution	15 November 2013	26 October 2012
Price of units issued under HHY's distribution reinvestment plan[(1)] (DRP) ($)	n/a	n/a
December quarter cash distribution (cpu)	n/a	**1.75**
Record date to determine entitlements to distribution	n/a	31 December 2012
Payment date for distribution	n/a	8 February 2013
Price of units issued under HHY's DRP[(1)] ($)	n/a	n/a
March quarter cash distribution (cpu)	n/a	**37.50**
Record date to determine entitlements to distribution	n/a	28 March 2013
Payment date for distribution	n/a	10 May 2013
Price of units issued under HHY's DRP[(1)] ($)	n/a	n/a
June quarter cash distribution (cpu)	n/a	**18.10**
Record date to determine entitlements to distribution	n/a	28 June 2013
Payment date for distribution	n/a	23 August 2013
Price of units issued under HHY's DRP[(1)] ($)	n/a	n/a
Total cash distributions for the year (cpu)	**3.59**	**96.35**
Franking credits (cpu)	-	-
Total gross distributions for the year (cpu)	**3.59**	**96.35**

(1) The DRP was suspended following the March 2011 distribution and remains suspended.

	30 June 2014	30 June 2013
Net Tangible Asset backing (NTA) per unit	**$0.48**	**$0.49**
Closing price	**$0.33**	**$0.37**

B. Commentary on the results

Overview

For the financial year ended 30 June 2014, distributions totalling 3.59 cents per unit were declared to investors, in line with HHY's run-off strategy announced to the market in August 2012.

During the financial year, HHY generated a net profit attributable to unitholders of $2.4 million (2.33 cents per unit), which represented a slight increase in performance relative to the prior corresponding period. HHY interest income for the period was $2.7 million, reflecting a decline from $7.1 million in the corresponding period due to a smaller investment portfolio. This decline in interest income was offset by a reduction in losses associated with the portfolio which were $0.1 million compared with $4.0 million in the prior corresponding period.

Expenses were $0.7 million, which reflected a reduction from $1.1 million in the prior corresponding period, predominantly due to a reduction in the Responsible Entity management fee from $0.7 million to $0.3 million.

HHY's net cash flow from operating activities for the year ended 30 June 2014 declined 73% to $1.5 million from $5.6 million in the prior corresponding period primarily due to a reduction in interest received to $2.2 million from $7.0 million in the prior corresponding period, partially offset be a reduction in operating expenses. The decline in cash flows is largely reflective of reduced interest income from investments due to the smaller investment portfolio following asset repayments and sales in the prior corresponding period.

HHY now only features two assets; Hyne Timber and Cory Environmental. As at 30 June 2014 these two assets have a combined estimated value of $18.3 million and the exit of these positions continues to be a significant focus of attention as we continue to explore a variety of options to 'wind up' HHY.

Key investment activity

HHY's investment in I-Med's senior loan, equity and warrants was divested slightly in excess of its holding value.

Post 30 June 2014, the Group's holding in Maher Terminal's junior floating rate loan was repaid in full in advance of its scheduled maturity. The Group received total proceeds of $21,330,000 upon the repayment in full of the original investment.

HHY distributions

During the financial year ended 30 June 2014 a cash distribution of $3,700,226 was declared for the quarter ended 30 September 2013, equating to 3.59 cents per unit, paid on 15 November 2013.

There were no franking credits generated for the year ended 30 June 2014.

Post 30 June 2014, a special distribution of $26,600,000 (25.8 cents per unit) was declared on 31 July 2014 and scheduled for payment on 29 August 2014 to return surplus cash associated with the Maher Terminal's repayment proceeds to unitholders.

As announced to the market in HHY's 2012 financial year results, HHY will not be providing distribution guidance to investors during the run-off of the portfolio. All surplus cash including interest income, asset repayments and sales and cash reserves held to settle mark to market of hedges will be returned to investors in the respective quarterly distributions.

B. Commentary on the results continued

Key drivers of portfolio earnings

The level of recurring earnings generated by HHY's portfolio is predominantly impacted by:

- The level of Australian bank bill interest rates, and
- Interest and dividend income generated by HHY's investment portfolio:
  - HHY's investments typically generate interest income in excess of local interest rates; and
  - principal and interest obligations are hedged against movements in foreign currency exchange rates and foreign interest rates.

Investment portfolio

HHY's investment portfolio is comprised of securities sourced with the objective of providing unitholders with a regular source of income. Historically, the securities have been sourced from transactions associated with:

- infrastructure and privatisation;
- private equity;
- acquisitions and financial restructures; and
- other leveraged finance transactions.

As at 30 June 2014 HHY held one equity interest in Hyne Timber. The inclusion of an equity investment within the portfolio may increase the volatility of portfolio earnings.

At 30 June 2014, HHY held three investments. The details of each investment are set out below:

Investment	Instrument	Investment Amount[1] $'000
Cory Environmental	Junior Floating Rate Loan	14,313
Hyne Timber	Ordinary Equity	3,941
Maher Terminals	Junior Floating Rate Loan	21,288
Total		**39,542**

(1) Includes mark-to-market of related derivative securities.

Maher Terminals

Maher Terminals was acquired by Deutsche Bank in March 2007 for a purchase price in excess of US$1.5 billion. It is one of the largest terminal operators within the Port of New York and New Jersey (United States) with established assets in Port Elizabeth and a new terminal at the Port of Prince Rupert located on the West Coast of Canada.

HHY invested US$20 million in a US$150 million Junior Floating Rate Loan arranged to part fund the acquisition of Maher Terminals, and is secured against Port Elizabeth.

Maher Terminals reported financial performance for the year ended 31 December 2013. EBITDA for the year was US$28.1 million, 47% lower than prior year's US$53.2 million, primarily due to the continued underperformance of Port Elizabeth as well as lower container volumes at Prince Rupert.

Post 30 June 2014, the Group's holding in Maher Terminal's junior floating rate loan was repaid in full in advance of its scheduled maturity. The Group received total proceeds of $21,330,000 upon the repayment in full of the original investment.

B. Commentary on the results continued

Cory Environmental

Cory Environmental was acquired by a consortium consisting of ABN AMRO Infrastructure (now EISER Infrastructure), Finpro and Santander Private Equity in March 2007 for £588 million. HHY provided a £7 million participation in a £40 million Junior Floating Rate Loan arranged to part fund the acquisition.

The company operates multiple landfill sites, provides municipal waste collection and recycling services in the United Kingdom, with a focus in London and Essex. During 2013 Cory Environmental commissioned the Riverside Energy from Waste facility in London.

Cory's above budget performance for 2013 has continued into 2014 with first quarter EBITDA marginally higher than forecast. Landfill & Gas was ahead of budget due to above forecast volumes for both soil, and municipal waste contracts. The Logistics division was also ahead of budget due to favourable variances in the London operations and Cornwall collection operations.

The Norfolk PFI project was officially terminated on 16 May 2014 following continuous delays to the planning approval from central government and consequently escalating costs. Performance at Riverside continues to be strong, and management are applying to lift the planning restrictions on processing volumes. The cash sweep to Riverside lenders means distributions are no longer passed up to group level.

Group EBITDA is forecast to fall during 2014 predominantly due to an anticipated decline in landfill volumes as the sector faces increasing competition from cheaper alternatives.

In July 2014, Riverside and Cory Group lenders were approached with a restructuring proposal whereby the Riverside cash sweep would be released, but the tenor on group debt extended, with junior maturity increasing from March 2016 to June 2019. Hastings are actively involved in the negotiations, mindful of preserving investor value, but also of the impact any extension would have on the wind down of HHY.

Hastings continues to closely monitor the investment and the outlook remains negative.

Hyne Timber

Hyne Timber is a privately owned company based in Queensland and was established in 1882. The company is a fully integrated forestry business with extensive interests in timber processing, wholesaling and exporting. Principal activities include softwood sawmills, timber manufacturing plants and wholesale and distribution outlets.

In April 2005, Hyne Timber issued $60 million of exchangeable securities (HYNES) issued to fund capital expenditure, of which HHY purchased $13 million face value. In December 2010, Hyne Timber elected to convert the majority of the HYNES to ordinary equity as permitted under the HYNES terms.

In June 2013, the Manager valued HYF's interest in Hyne Timber downwards to $37.50 per share. The valuation at $37.50 ($6.1 million) is still considered appropriate based on information available to the Responsible Entity at 30 June 2014 and lies at the bottom end of the range indicated by the HHY independent valuation.

The outlook for Hyne Timber has been improved to 'Stable' on the back of an earnings recovery driven by the depreciation of the Australian dollar, making imports less competitive, as well as an improvement in the Australian building industry. Recent Australian Bureau of Statistics data indicates that the Australian building approvals are up on the prior year. This is consistent with the results of the company which indicate a recovery in domestic housing construction. The Responsible Entity will reassess the valuation of Hyne Timber when new information becomes available, including the release of annual results expected later this year.

The inclusion of an equity investment within the portfolio may increase the volatility of portfolio earnings. The Responsible Entity continues to explore options to exit this position.

B. Commentary on the results continued

Sources of return

Returns to unitholders comprise periodic income in the form of interest and gains/(losses) on investments.

Net profit attributable to unitholders for the financial year ended 30 June 2014 was derived as follows:

Investment	**Interest & dividends $'000**	**Realised & unrealised gains/(losses)[1] $'000**	**Total $'000**
Cory Environmental	916	104	1,020
Hyne Timber	-	-	-
I-Med Group	-	10	10
Maher Terminals	1,484	(167)	1,317
Security revenue	**2,400**	**(53)**	**2,347**
Cash and other	307	308	615
Total revenue	**2,707**	**255**	**2,962**
Other expenses[2]			(596)
Net profit attributable to unitholders			**2,366**

(1) Realised gains/(losses) on investments may occur due to mismatches in the maturity of underlying investments and the maturity of related derivative securities used for hedging purposes. Unrealised gains/(losses) occur upon the revaluation of foreign currency denominated investments and the mark-to market of related derivative securities used for hedging purposes and upon the revaluation of equity securities such as Hyne Timber.

(2) Includes Responsible Entity management fees of $273,841 and income tax benefit relating to Group entities of $79,292.

Summary & outlook

Since the announcement of the change in strategy in the June 2012 annual results, HHY has been delivering on its run-off strategy and returning surplus cash to investors. Investments are being recovered through both repayments and divestment.

While HHY will continue to implement this strategy, it is expected that the process will be slower as the fund becomes concentrated in less liquid and underperforming assets and as the sale of assets at a price that offers value to investors becomes more challenging.

Currently the longest duration debt investment in HHY is the underperforming Cory Environmental ($14.3 million), which matures in March 2016. In addition, the fund currently also has an equity portion in Hyne Timber ($3.9 million) with no fixed maturity. The Responsible Entity will continue to explore options to exit both of these positions.

HHY will focus on strategies to minimise costs and accelerate the run-off and wind-up of the fund, including ongoing review of the benefits provided to investors of maintaining an ASX listing. During the run-off of HHY all surplus cash will be returned to investors through the scheduled quarterly distributions. This may result in an irregular distribution profile for the remainder of the life of HHY.

C. Financial report for the year ended 30 June 2014

Hastings High Yield Fund

ARSN 112 579 129

Consolidated Financial Statements for the year ended 30 June 2014

Directors' Report

The directors of Hastings Funds Management Limited as Responsible Entity for Hastings High Yield Fund present their report, together with the consolidated financial statements of Hastings High Yield Fund ('the Scheme'), consisting of the Scheme and the entities it controlled at the end of, or during, the year ended 30 June 2014 (referred to hereafter as the Group).

Responsible Entity

The Responsible Entity for Hastings High Yield Fund is Hastings Funds Management Limited (ABN 27 058 693 388). The Responsible Entity's registered office is Level 27, 35 Collins Street, Melbourne, VIC, 3000.

Directors

The following persons held office as directors of the Responsible Entity during the year or since the end of the year and up to the date of this report:

Alan Cameron (Chairman)
Andrew Day - Retired 21 September 2013
James Evans
William Forde - Retired 21 September 2013
Stephen Gibbs - Retired 21 September 2013
Anthony Masciantonio - Appointed 20 September 2013
James McDonald - Retired 21 September 2013
Victoria Poole - Retired 21 September 2013

The following persons held office as alternate directors during the year or since the end of the year and up to the date of this report:

Andrew Day - Appointed alternate director to Anthony Masciantonio on 31 October 2013
William Forde - Appointed alternate director to Alan Cameron and James Evans on 22 November 2013

Company secretaries

The company secretaries of the Responsible Entity in office during the year and up to the date of this report are Jane Frawley and Jefferson Petch.

Principal activities

The principal activity of the Scheme was to invest funds in accordance with its investment objectives and guidelines as set out in the Product Disclosure Statement (PDS) issued on 14 February 2005 and in accordance with the provisions of the Scheme's Constitution.

In August 2012, the Responsible Entity resolved that the Group would not make any further investments, look to exit existing investment positions and seek to return all surplus cash to unitholders including the proceeds from investment income, principal repayments and sales of investments as part of an orderly run-off and wind down of investment activity.

The Scheme did not have any employees during the year (2013 - nil).

There has been no other change in the principal activities of the Scheme during the year.

Review and results of operations

Results

The operating profit after income tax and before finance costs attributable to unitholders for the year ended 30 June 2014 was $2,366,000 (2013 - $2,341,000).

Distributions

During the year ended 30 June 2014, distributions were declared by the Group as follows:

- a distribution of 3.59 cents per unit was declared for the quarter ended 30 September 2013 which was paid on 15 November 2013 (2012 - distribution of 39.00 cents per unit).
- no distribution was declared or paid for the quarter ended 31 December 2013 (2012 - distribution of 1.75 cents per unit).
- no distribution was declared or paid for the quarter ended 31 March 2014 (2013 - distribution of 37.50 cents per unit).
- no distribution was declared or paid for the quarter ended 30 June 2014 (2013 - distribution of 18.10 cents per unit).

Business strategies and prospects

The Responsible Entity has resolved that the Group will not make any further investments and will return surplus cash to unitholders as part of an orderly run-off and wind down of investment activity. Specifically the Group:

- will not consider further investment;
- will look to exit existing investment positions; and
- will seek to return all surplus cash to unitholders including the proceeds from interest income, principal repayments and sales of investments.

In the opinion of the directors, further information on the Scheme’s business strategies and its prospects for future financial years would be likely to result in unreasonable prejudice to the Scheme and has accordingly been omitted.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

Matters subsequent to the end of the financial year

On the 3 July 2014 the Group's holding in Maher Terminal's junior floating rate loan was repaid in full in advance of its scheduled maturity. The Group received total proceeds of $21,330,000 (USD 20,000,000) upon the repayment of its original investment. On 8 July 2014, the Group closed out the related Maher Terminals cross currency swap contract resulting in the recognition of a realised loss of $58,745.

A special distribution of $26,600,000 (25.8 cents per unit) was declared on 31 July 2014 to return surplus cash associated with the Maher Terminal's repayment proceeds to unitholders. The special distribution is scheduled to be paid on 29 August 2014.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Group disclosed in the Consolidated Statement of Financial Position as at 30 June 2014 or on the results of the cash flows of the Group for the year ended on that date.

Likely developments and expected results of operations

The results of the Group's operations may be affected by a number of factors, including the performance of investment markets in which the Group invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

The Responsible Entity has resolved that the Group will not make any further investments and will return surplus cash to unitholders as part of an orderly run-off and wind down of investment activity.

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in Note 7, Note 8 and Note 21 to the consolidated financial statements.

No fees were paid out of Group property to the directors of the Responsible Entity during the year.

The number of interests in the Group held by the Responsible Entity as at the end of the reporting period are disclosed in Note 21 to the consolidated financial statements.

Interests in the Group

The movement in units on issue in the Scheme during the year is disclosed in Note 17 to the consolidated financial statements.

The value of the Group's assets and liabilities is disclosed in the Consolidated Statement of Financial Position and derived using the basis set out in Note 2 to the consolidated financial statements.

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Group in regards to insurance cover provided to either the officers of Hastings Funds Management Limited or the auditors of the Group. So long as the officers of Hastings Funds Management Limited act in accordance with the Scheme's Constitution and the Law, the officers remain indemnified out of the assets of the Group against losses incurred while acting on behalf of the Group. The auditors of the Group are in no way indemnified out of the assets of the Group.

Non-audit services

During the year the following fees were paid or payable for non-audit services provided by the auditor of the Scheme, its related practices and non-related audit firms:

	2014	2013
	$	$
Amounts paid or payable excluding GST, to *PricewaterhouseCoopers*, for:		
Agreed upon procedures - annual report	**3,511**	3,392
Total non-audit services	**3,511**	3,392

Environmental regulation

The operations of the Group are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Group is an entity of a kind referred to in Class Order 98/100 (as amended) issued by ASIC relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors of Hastings Funds Management Limited as Responsible Entity for Hastings High Yield Fund.

James Evans
Director
28 August 2014

Auditor's Independence Declaration to the Directors of Hastings Funds Management Limited, as the Responsible Entity for Hastings High Yield Fund

As lead auditor for the audit of Hastings High Yield Fund for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hastings High Yield Fund and the entities it controlled during the period.

Elizabeth O'Brien
Partner
PricewaterhouseCoopers

Melbourne
28 August 2014

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Consolidated Statement of Comprehensive Income

	Notes	**2014 $'000**	2013 $'000
Income			
Interest income	3	**2,707**	7,129
Net gain/(loss) - cash and cash equivalents	4	**303**	309
Net gain/(loss) - securities	5	**(53)**	(3,989)
Net gain/(loss) - other	6	**5**	21
Total income		**2,962**	3,470
Expenses			
Responsible Entity management fees	7	**274**	657
Investment expenses		**-**	(34)
Valuation fees		**9**	8
Audit fees		**78**	96
Tax fees		**25**	40
Unitholder and investor relations expenses		**82**	158
Other expenses		**207**	180
Total expenses		**675**	1,105
Operating profit/(loss) before income tax and finance costs attributable to unitholders		**2,287**	2,365
Income tax expense/(benefit)	10	**(79)**	24
Operating profit/(loss) after income tax and before finance costs attributable to unitholders		**2,366**	2,341
Finance costs attributable to unitholders			
Distributions to unitholders	11	**(3,700)**	(99,308)
(Increase)/decrease in net assets attributable to unitholders		**1,334**	96,967
Profit/(loss) for the year		**-**	-
Other comprehensive income			
Movement in foreign currency translation reserve	17(c)	**28**	(40)
Total other comprehensive income		**28**	(40)
Other comprehensive income/(loss) attributable to unitholders		**(28)**	40
Total comprehensive income for the year		**-**	-

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Notes	**2014 $'000**	2013 $'000
Assets			
Cash and cash equivalents	12(b)	**9,790**	32,113
Receivables	13	**380**	438
Securities	14	**39,539**	37,246
Total assets		**49,709**	69,797
Liabilities			
Payables	15	**152**	18,855
Current tax liabilities	16	**1**	80
Total liabilities (excluding net assets attributable to unitholders)		**153**	18,935
Net assets attributable to unitholders - (liability)		**49,556**	50,862
Represented by:			
Issued units	17(a)	**200,702**	200,702
Foreign currency translation reserve	17(c)	**68**	40
Undistributed profit/(loss) attributable to unitholders	17(d)	**(151,214)**	(149,880)
Total unitholders' interests		**49,556**	50,862

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

In accordance with AASB132 *Financial Instruments: Disclosure and Presentation*, unitholders' interests are classified as a liability and accordingly the Group has no equity for financial statement purposes.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Notes	**2014 $'000**	2013 $'000
Cash flows from operating activities			
Interest received		**2,226**	6,979
Operating expenses paid		**(685)**	(1,338)
Income tax paid/(refunded)		**(7)**	2
Net cash inflow/(outflow) from operating activities	12(a)	**1,534**	5,643
Cash flows from investing activities			
Proceeds from unlisted loan security repayments		**23**	34,698
Proceeds from sale of unlisted securities		**2,192**	11,472
Proceeds from settlement of derivative securities		**-**	2,557
Payments for settlement of derivative contracts		**(4,078)**	(1,356)
Net cash inflow/(outflow) from investing activities		**(1,863)**	47,371
Cash flows from financing activities			
Payment for buy-back of issued units		**-**	(505)
Payment for buy-back issue costs		**-**	(12)
Distributions paid		**(22,356)**	(84,535)
Net cash inflow/(outflow) from financing activities		**(22,356)**	(85,052)
Net increase/(decrease) in cash and cash equivalents		**(22,685)**	(32,038)
Cash and cash equivalents at the beginning of the financial year		**32,113**	63,798
Effects of exchange rate changes on cash and cash equivalents		**362**	353
Cash and cash equivalents at the end of the year	12(b)	**9,790**	32,113

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

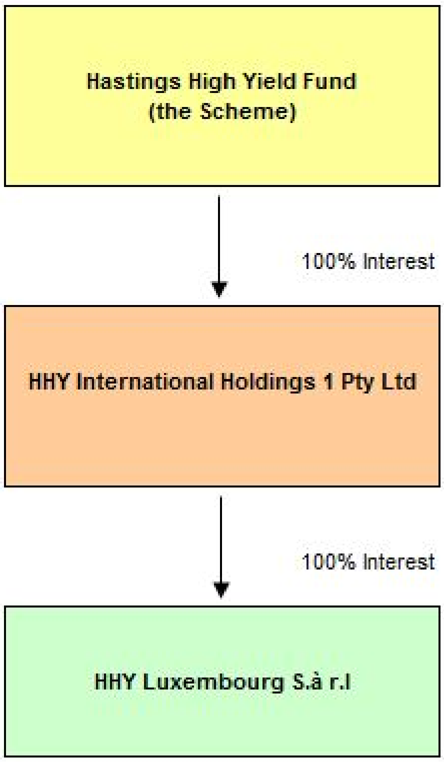
1 General information

Hastings High Yield Fund (the Scheme) was established in Australia under a Constitution dated 19 January 2005 (as amended), with Hastings Funds Management Limited as the Responsible Entity of the Scheme.

On 31 July 2007, HHY International Holdings 1 Pty Ltd was incorporated in Australia as a company limited by shares. It has been 100% owned since its date of incorporation by the Scheme.

On 13 September 2007, HHY Luxembourg S.à r.l was incorporated in Luxembourg as a company limited by shares. It has been 100% owned since its date of incorporation by HHY International Holdings 1 Pty Ltd . HHY International Holdings 1 Pty Ltd and HHY Luxembourg S.à r.l were established for the purpose of holding the Scheme's European based investments.

The diagram below details the structure of the Scheme and its subsidiaries (the Group):



The Responsible Entity for Hastings High Yield Fund is Hastings Funds Management Limited (ABN 27 058 693 388). The Responsible Entity's registered office is Level 27, 35 Collins Street, Melbourne, Victoria, 3000.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (including Interpretations), the Corporations Act 2001 and the Scheme's Constitution.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis, except where otherwise stated.

The Consolidated Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current.

The functional currency of the Scheme and presentation currency of the Group is Australian Dollars.

The consolidated financial statements of the Group for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors of the Responsible Entity The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

New and amended standards adopted by the Group

Certain new accounting standards and interpretations have been published that are effective for the 30 June 2014 reporting period and have been applied in the financial statements. The Responsible Entity's assessment of the impact of these new standards (to the extent relevant to the Group) and interpretations is set out below:

(i) Changes in accounting policy

The Group had to change some of its accounting policies as the result of new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013. The affected policies are:

- Principles of consolidation - AASB 10 *Consolidated Financial Statements*
- Determining fair value - AASB 13 *Fair Value Measurement*

AASB 10 Consolidated Financial Statements (effective 1 January 2013)

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Scheme as at 30 June 2014 and the results of all subsidiaries for the year then ended. The Scheme and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

The objective of AASB 10 is to establish principles for the preparation and presentation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.

The Responsible Entity has reviewed the Scheme's investments in other entities to assess whether the conclusion as to whether the Scheme controls an investee or not is different under AASB 10. No differences were identified and therefore there has been no change to the consolidated financial statements as a result of the introduction and adoption of AASB 10.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Changes in accounting policy (continued)

AASB 13 Fair Value Measurement (effective 1 January 2013)

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant.

The Responsible Entity believes that the application of AASB 13 has not resulted in any material change to the fair value of derivative securities. The additional disclosures required under AASB 13 are provided in Note 19 Fair value measurements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2013 that would be expected to have a material impact on the Scheme.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Scheme as at 30 June 2014 and the results of all subsidiaries for the year then ended. The Scheme and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Scheme has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred.

The consolidated financial statements of subsidiaries are prepared for the same reporting period as the Scheme, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(c) Parent entity financial information

The financial information for the Scheme, the Scheme, disclosed in Note 22 has been prepared on the same basis as the consolidated financial statements, except as set out below:

2 Summary of significant accounting policies (continued)

(c) Parent entity financial information (continued)

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the Scheme.

(ii) Income tax

Under current legislation, the Scheme is not subject to income tax provided the taxable income of the Scheme is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Scheme).

(d) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Group) and interpretations is set out below:

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010), AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* and AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments* (effective from 1 January 2017)

AASB 9 *Financial Instruments* (AASB 9) addresses the classification and measurement of financial assets and financial liabilities.

AASB 9 *Financial Instruments* requires all financial assets to be:

- classified on the basis of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset;
- initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and
- subsequently measured at amortised cost or fair value.

The requirements for derecognition of financial assets and financial liabilities under AASB 9 remain the same as those of AASB 139 *Financial Instruments: Recognition and Measurement.*

The Group will apply the new standard from 1 July 2017. The Group is yet to fully assess the impact of applying the new standard as it has not yet been fully issued.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

(e) Significant accounting estimates, judgements and assumptions

In applying the Group's accounting policies management continually evaluates estimates, judgements and assumptions based on experience and other factors including expectations of future events that may have an impact on the entity. All estimates, judgements and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates, judgements and assumptions.

Global capital markets continue to be volatile. The fair values of unlisted equity securities have been adjusted to reflect market conditions at the end of the reporting period. In assessing the appropriateness of carrying values of unlisted debt securities carried at amortised cost, the Responsible Entity has considered market conditions at the end of the reporting period. While the fair value of unlisted equity securities represent the Responsible Entity's best estimates at the end of the reporting period, if the unlisted equity securities were to be sold, the price achieved may differ from the carrying values recorded at the end of the reporting period.

Significant estimates, judgements and assumptions are outlined below:

Valuation of derivative securities

Derivative securities comprise cross currency swap contracts.

The fair value of derivative securities is determined by discounting projected cash flows under the derivative contract to their present value using a pre-tax, risk adjusted discount rate. Where applicable, foreign currency discounted cash flows are translated back to the local currency using the spot foreign exchange rate.

The fair value of derivative securities held by the Group at 30 June 2014 was $(3,000) (2013 - $(3,141,000)).

Further information in relation to derivative securities is provided in Note 2(i).

Carrying value of unlisted debt securities

In accordance with AASB 9 *Financial Instruments* unlisted debt securities are measured at amortised cost using the effective interest method, less any allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium arising upon the acquisition of unlisted debt securities.

For details in relation to unlisted debt securities refer to Note 2(i).

The amortised cost of unlisted debt securities as at 30 June 2014 was $35,601,000 (2013 - $35,621,000).

The impairment allowance carried in connection with unlisted debt securities was $nil (2013 - $nil).

Valuation of unlisted equity securities

The fair value of the Hyne & Son ordinary shares as at 30 June 2014 reflects the fair value of the ordinary shares as determined by the Responsible Entity primarily through a capitalised earnings methodology. This fair value determination was materially consistent with the fair value determination made by an appropriately qualified independent valuer, KPMG Corporate Finance (KPMG), as at 30 June 2013. No information has been made available to the Responsible Entity since the KPMG independent valuation date that would result in a reassessment of the fair value of the Hyne & Son ordinary shares by the Responsible Entity at 30 June 2014.

2 Summary of significant accounting policies (continued)

(e) Significant accounting estimates, judgements and assumptions (continued)

The capitalisation of earnings methodology involves capitalising the earnings of a business at a multiple that reflects the risks of the business and the stream of income that it generates. The application involves an estimation of earnings for the business having regard to historical and forecast operating results, non recurring items of income and expenditure and known factors likely to impact on operating performance. In relation to the application of an appropriate multiple, considerations will include the market rating of comparable unlisted equity securities, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk. Upon disposal there may be potential capital gains tax implications for the Group or unitholder depending on the structure of any disposal.

The fair value of unlisted equity securities held by the Group at 30 June 2014 was $3,941,000 (2013 - $4,766,000).

Further details in relation to unlisted equity securities are provided in Note 2(i) which outlines the accounting treatment and approach to establishing fair value and its dependency on such estimates.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Scheme and its subsidiaries operates ("the functional currency"). The consolidated financial statements are presented in Australian Dollars, which is the Scheme's functional and presentation currency.

The results and financial position of the subsidiaries whose functional currency differs from the presentation currency of the Scheme are translated in accordance with Note 2(f)(iii) below.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

(iii) Group entities

Foreign currency exchange differences arising from the translation of foreign entities are recorded in Other Comprehensive Income. All entities which have a functional currency different to the Group's presentation currency have their assets and liabilities translated at the closing rate at the end of the reporting period, and income and expenses translated at the average exchange rate.

All resulting exchange differences are recognised in the foreign currency translation reserve.

(g) Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2 Summary of significant accounting policies (continued)

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables may include interest and trust distributions. Interest and trust distributions are accrued in accordance with the policy set out in Note 2(n).

All receivables, unless otherwise stated, are non-interest bearing, unsecured and generally received within 30 days of being recorded as receivables.

Impairment allowance

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

The amount of the impairment allowance is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised as an expense in the profit or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are written back against the impairment allowance in the profit or loss.

(i) Securities

Securities are recorded at fair value through profit or loss upon initial recognition. Costs incidental to the acquisition of securities are recognised in the profit or loss when incurred.

Purchases and sales of securities that require delivery within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the securities.

Derivative securities

Derivative securities comprise cross currency swap contracts.

In accordance with AASB 9, after initial recognition, derivative securities continue to be measured at fair value as derivatives are managed, and their performance evaluated on a fair value basis.

The fair value of derivative securities is determined by discounting projected cash flows under the derivative contract to their present value using a pre tax, risk adjusted discount rate. Where applicable, foreign currency discounted cash flows are translated back to the local currency using the spot foreign exchange rate.

2 Summary of significant accounting policies (continued)

(i) Securities (continued)

Unrealised gains or losses on derivative securities are recognised through profit or loss and represent:

- Movements in the fair value of derivative securities which are held as at the end of the reporting period.

  Unrealised gains or losses on derivative securities which are held as at the end of the reporting period are calculated as the difference between the fair value at the end of current reporting period end and the fair value at the end of previous reporting period or the date the derivative securities are acquired.

- Reversal of any life to date unrealised gains or losses as at the previous reporting period in connection with any derivative securities that have been sold, restructured, settled or terminated in the current reporting period.

Realised gains or losses on derivative securities are recognised through profit or loss upon the sale, restructure, settlement or termination of derivative securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.

Unlisted securities

Unlisted securities include debt securities and accrued interest and equity securities.

Unlisted debt securities

In accordance with AASB 9, unlisted debt securities are measured at amortised cost using the effective interest method, less any allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium arising upon the acquisition of unlisted debt securities.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Unlisted debt securities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Unrealised gains or losses are recognised in connection with foreign currency denominated unlisted debt securities and represent:

- Movements in the carrying value of unlisted debt securities which are held as at the end of the reporting period.

  Unrealised gains or losses on unlisted debt securities which are held as at the end of the reporting period are calculated as the difference between the carrying value translated into the functional currency at the exchange rate at the end of current reporting period end and the exchange rate at the end of previous reporting period or the date the unlisted debt securities are acquired.

- Reversal of any life to date unrealised gains or losses as at the previous reporting period in connection with any unlisted debt securities that have been sold, restructured, settled or terminated in the current reporting period.

2 Summary of significant accounting policies (continued)

(i) Securities (continued)

Realised gains or losses on unlisted debt securities are recognised through profit or loss upon the sale, repayment, restructure, cancellation or expiry of unlisted debt securities. Realised gains or losses are calculated as the difference between the settlement amount and amortised cost.

Unlisted equity securities

In accordance with AASB 9, after initial recognition, unlisted equity securities continue to be measured at fair value.

The fair value of the Hyne & Son ordinary shares as at 30 June 2014 reflects the fair value of the ordinary shares as determined by the Responsible Entity primarily through a capitalised earnings methodology. This fair value determination was materially consistent with the fair value determination made by an appropriately qualified independent valuer, KPMG Corporate Finance (KPMG), as at 30 June 2013. No information has been made available to the Responsible Entity since the KPMG independent valuation date that would result in a reassessment of the fair value of the Hyne & Son ordinary shares by the Responsible Entity at 30 June 2014.

The capitalisation of earnings methodology involves capitalising the earnings of a business at a multiple that reflects the risks of the business and the stream of income that it generates. The application involves an estimation of earnings for the business having regard to historical and forecast operating results, non recurring items of income and expenditure and known factors likely to impact on operating performance. In relation to the application of an appropriate multiple, considerations will include the market rating of comparable unlisted equity securities, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk. Upon disposal there may be potential capital gains tax implications for the Group or unitholder depending on the structure of any disposal.

Unrealised gains or losses on unlisted equity securities are recognised through profit or loss and represent:

- Movements in the fair value of unlisted equity securities which are held as at the end of the reporting period.

  Unrealised gains or losses on unlisted equity securities which are held as at the end of the reporting period calculated as the difference between the fair value at the end of current reporting period end and the fair value at the end of previous reporting period or the date the unlisted equity securities are acquired.

- Reversal of any life to date unrealised gains or losses as at the previous reporting period in connection with any unlisted equity securities that have been sold, restructured, settled or terminated in the current reporting period.

Realised gains or losses on unlisted equity securities are recognised through profit or loss upon the sale, restructure, settlement or termination of unlisted equity securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.

2 Summary of significant accounting policies (continued)

(j) Impairment of securities

Unlisted debt securities

The Group assesses at each reporting date whether an unlisted debt security or group of unlisted debt securities classified and measured at amortised cost is impaired. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the unlisted debt security's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the unlisted debt security's original effective interest rate.

The carrying amount of the unlisted debt security is reduced through the use of an allowance account and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income as an “impairment loss”.

Impaired unlisted debt securities, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group if, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced.

Interest revenue on impaired unlisted securities is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Impairment allowances denominated in foreign currencies are initially translated into the functional currency using the exchange rates prevailing at the date the impairment allowance is recognised. Foreign exchange gains and losses resulting from the translation of impairment allowances denominated in foreign currencies at period end exchange rates are recognised in the profit or loss against the impairment expense/(writeback).

(k) Payables

Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Payables include liabilities and accrued expenses owing by the Group which are unpaid at the end of the reporting period. The distribution amount payable to unitholders as at the reporting date is recognised when unitholders are presently entitled to the distribution income under the Trust Deed.

All payables, unless otherwise stated, are non-interest bearing, unsecured and generally paid within 30 day terms.

(l) Financial instruments

Debt and equity instruments issued by the Group are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. In accordance with AASB 132 *Financial Instruments: Presentation* unitholders interests are defined as "puttable instruments" and therefore classified as liabilities and disclosed in the Consolidated Statement of Financial Position as net assets attributable to unitholders. Any transaction costs arising on the issue of such financial instruments are recognised as a reduction of the proceeds received.

2 Summary of significant accounting policies (continued)

(m) Net assets attributable to unitholders

Net assets attributable to unitholders comprise the residual interest in the assets of the Scheme after deducting its liabilities. It is represented by issued units, reserves and undistributed profit/(loss) attributable to unitholders. As units issued by the Scheme are classified as financial liabilities, any amounts paid or payable as well as net asset movements attributable to unitholders are recorded as an expense and presented in the Consolidated Statement of Comprehensive Income as 'finance costs attributable to unitholders'.

(n) Income and expense recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured.

Expenses are recognised in the Consolidated Statement of Comprehensive Income when the Group has a present obligation (legal or constructive) as a result of a past event that can be reliably measured and where the expenses do not produce future economic benefits that qualify for recognition in the Consolidated Statement of Financial Position.

The following specific recognition criteria must also be met before income and expenses are recognised:

Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend and distribution income

Dividend and distribution income is recognised when there is control over the right to receive the dividend or distribution payment.

Responsible Entity fees

For further information relating to the Responsible Entity management fees refer to Note 7.

For further information relating to the Responsible Entity performance fees refer to Note 8.

The Responsible Entity is also entitled under the Constitution to be reimbursed for certain expenses incurred in administering the Scheme. The basis on which the expenses are reimbursed is defined in the Scheme's Constitution.

(o) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the Consolidated Statement of Comprehensive Income as finance costs attributable to unitholders.

Where distribution income is determined by reference to the taxable income of the Scheme, distributable income includes capital gains arising from the disposal of securities. Unrealised net gains or losses on securities are transferred to the net assets attributable to unitholders and are not distributable and assessable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

2 Summary of significant accounting policies (continued)

(p) Income tax

Under current legislation, the Scheme is not subject to income tax as unitholders are presently entitled to the income of the Scheme.

Certain entities that are part of the Group are subject to income tax.

The income tax expense or revenue for the year is the tax payable or receivable on the current year's taxable income based on the applicable income tax for each entity's jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. The Responsible Entity periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax asset is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2 Summary of significant accounting policies (continued)

(q) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position. Reduced income tax credits recoverable by the Group from the Australian Taxation Office (ATO) are recognised as receivables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(r) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Hastings Funds Management Limited (acting in its capacity as the Responsible Entity for the Scheme and the Group), which makes strategic decisions.

(s) Rounding of amounts

The Group is an entity of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission (ASIC), relating to the "rounding off" of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

3 Interest income

	2014	2013
	$'000	$'000
Cash and cash equivalents	**307**	1,342
Unlisted securities	**1,907**	4,513
Derivative securities	**493**	1,274
Total interest income	**2,707**	7,129

4 Net gain/(loss) - cash and cash equivalents

	2014	2013
	$'000	$'000
Net gain/(loss) - unrealised	**303**	309
Total net gain/(loss) - cash and cash equivalents	**303**	309

5 Net gain/(loss) - securities

	2014	2013
	$'000	$'000
Net gain/(loss) - unlisted securities		
Net gain/(loss) - realised	**10**	(9,831)
Net gain/(loss) - unrealised	**874**	8,324
Total net gain/(loss) - unlisted securities	**884**	(1,507)
Net gain/(loss) - derivative securities		
Net gain/(loss) - realised	**(4,078)**	1,201
Net gain/(loss) - unrealised	**3,141**	(3,683)
Total net gain/(loss) - derivative securities	**(937)**	(2,482)
Total net gain/(loss) - securities	**(53)**	(3,989)

6 Net gain/(loss) - other

	2014	2013
	$'000	$'000
Net gain/(loss) - unrealised	**-**	29
Net gain/(loss) - realised	**5**	(8)
Total net gain/(loss) - other	**5**	21

7 Responsible Entity management fees

	2014	2013
	$'000	$'000
Responsible Entity management fees	**274**	657
Total Responsible Entity management fees	**274**	657

In accordance with the Scheme's Constitution, the Responsible Entity is entitled to a management fee determined at a rate of 0.75% per annum of the market capitalisation of the Scheme. The fee is calculated quarterly and payable quarterly in arrears.

8 Responsible Entity performance fees

	2014	2013
	$'000	$'000
Responsible Entity performance fees	**-**	-
Total Responsible Entity performance fees	**-**	-

The Responsible Entity is entitled to a performance fee in situations where the "Total Unit Holder Return" exceeds the "Benchmark Return" as defined and calculated in accordance with the Scheme’s Constitution and the Scheme's PDS dated 14 February 2005.

No performance fee was levied by the Responsible Entity for the year ended 30 June 2014 (2013 - $nil).

9 Audit fees

During the year the following fees were paid or payable for services provided by the auditor of the Group:

	2014	2013
	$	$
(a) Audit services		
Amounts paid or payable including non-recoverable GST, to *PricewaterhouseCooper*s, for:		
Audit and review of financial statements	**57,999**	54,201
Audit of compliance plan	**12,383**	10,450
Audit of derivatives risk statement	**1,734**	1,675
Total audit services fees	**72,116**	66,326
(b) Non-audit services		
Amounts paid or payable including non-recoverable GST, to *PricewaterhouseCoopers*, for:		
Agreed upon procedures - annual report	**3,511**	3,392
Total non-audit service fees	**3,511**	3,392

10 Income tax expense/(benefit)

(a) Income tax expense/(benefit)

	2014 $'000	2013 $'000
Current income tax expense/(benefit)	**(79)**	24
Total current income tax expense/(benefit)	**(79)**	24

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	2014 $'000	2013 $'000
Profit before income tax	**2,287**	2,365
Tax at the applicable Australian tax rate of 30.0% (2013 - 30.0%)	**686**	710
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:		
Profit not assessable in the hands of the Scheme	**(703)**	(702)
Tax base and rate differential - foreign subsidiary	**(1)**	16
Other	**(1)**	-
Prior year under/(over) provision	**(61)**	-
Derecognition of prior year temporary difference	**1**	-
Total current income tax expense/(benefit)	**(79)**	24

11 Distributions to unitholders

	2014	2013
	$'000	$'000
Distributions declared and paid	**3,700**	80,652
Distributions declared and payable	**-**	18,656
Total distributions to unitholders	**3,700**	99,308

During the year ended 30 June 2014, distributions were declared by the Group as follows:

- a distribution of 3.59 cents per unit was declared for the quarter ended 30 September 2013 which was paid on 15 November 2013 (2012 - distribution of 39.00 cents per unit).
- no distribution was declared or paid for the quarter ended 31 December 2013 (2012 - distribution of 1.75 cents per unit).
- no distribution was declared or paid for the quarter ended 31 March 2014 (2013 - distribution of 37.50 cents per unit).
- no distribution was declared or paid for the quarter ended 30 June 2014 (2013 - distribution of 18.10 cents per unit).

12 Cash and cash equivalents

(a) Reconciliation of operating profit/(loss) before finance costs attributable to unitholders to net cash inflow/(outflow) from operating activities

	2014	2013
	$'000	$'000
Operating profit/(loss) before finance costs attributable to uniholders	**2,366**	2,341
Adjustments for non-cash and non-operating items		
Net (gain)/loss - cash and cash equivalents	**(303)**	(309)
Net (gain)/loss - securities	**53**	3,989
Net gain/(loss) - other	**(5)**	(21)
Change in operating related assets and liabilities		
(Increase)/decrease in accrued income	**(477)**	(148)
(Increase)/decrease in receivables	**34**	(58)
(Increase)/decrease in other assets	**(16)**	2
Increase/(decrease) in payables	**(86)**	(177)
Increase/(decrease) in current tax liabilities	**(32)**	26
Increase/(decrease) in foreign currency translation reserve	**-**	(2)
Net cash inflow/(outflow) from operating activities	**1,534**	5,643

12 Cash and cash equivalents (continued)

(b) Components of cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank	**9,790**	30,089
Short term deposits	**-**	2,024
Total cash and cash equivalents	**9,790**	32,113

(c) Significant non-cash financing and investing activities

There were no significant non-cash financing and investing activities during the year (2013 - None).

13 Receivables

	2014 $'000	2013 $'000
Income receivable	**372**	395
Receivable - other	**8**	43
Total receivables	**380**	438

None of the receivables are impaired or past due but not impaired.

14 Securities

	2014 $'000	2013 $'000
Securities		
Unlisted securities	**39,542**	40,387
Derivative securities	**(3)**	(3,141)
Total securities	**39,539**	37,246
Unlisted securities comprise the following holdings:		
Unlisted debt securities		
Cory Environmental	**14,313**	12,575
I-Med	**-**	1,380
Maher Terminals	**21,288**	21,666
Total unlisted debt securities	**35,601**	35,621
Unlisted equity securities		
I-Med	**-**	825
Hyne & Son - (a)	**3,941**	3,941
Total unlisted equity securities	**3,941**	4,766
Total unlisted securities	**39,542**	40,387
Derivative securities comprise the following holdings:		
Cross currency swaps	**(3)**	(2,484)
Foreign currency forward contracts	**-**	(657)
I-Med warrant	**-**	-
Total derivative securities	**(3)**	(3,141)

For further details in relation to derivative securities refer to Note 18.

(a) Unlisted Equity Security Revaluations - Hyne & Son

Current Year:

The Responsible Entity determined that the fair value of the Hyne & Son ordinary shares was $3,941,000 ($37.50 per share) as at 30 June 2014. This fair value determination was materially consistent with the fair value determination made by an appropriately qualified independent valuer, KPMG Corporate Finance (KPMG), who valued the ordinary shares at $38.72 per share as at 30 June 2013. No information has been made available to the Responsible Entity since the KPMG independent valuation date that would result in a reassessment of the fair value of the Hyne & Son ordinary shares by the Responsible Entity at 30 June 2014.

Prior Year:

The Responsible Entity determined that the fair value of the Hyne & Son ordinary shares was $3,941,000 ($37.50 per share) as at 30 June 2013. This determination was based on a purchase offer received via the Hyne & Son Board for a portion of the ordinary shares held by the Group.

15 Payables

	2014 $'000	2013 $'000
Payables - Responsible Entity	**66**	101
Payables - other	**31**	45
Accrued expenses	**55**	53
Distribution payable	**-**	18,656
Total payables	**152**	18,855

16 Current tax liabilities

	2014 $'000	2013 $'000
Current tax liabilities	**1**	80
Total current tax liabilities	**1**	80

17 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

(a) Issued Units

	2014 No.'000	2013 No.'000	2014 $'000	2013 $'000
Opening balance	**103,070**	103,470	**200,702**	201,219
On market unit buy-backs	**-**	(400)	**-**	(505)
Buy-back transaction costs	**-**	-	**-**	(12)
Closing balance	**103,070**	103,070	**200,702**	200,702

(b) Terms and conditions

Each issued unit confers upon the unitholder an equal interest in the Group and is of equal value. A unit does not confer any interest in any particular asset or investment held by the Group. Unitholders have various rights under the Constitution, including the right to:

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to each unit are identical in all respects.

17 Net assets attributable to unitholders (continued)

(c) Foreign currency translation reserve

	2014 $'000	2013 $'000
Opening balance	**40**	80
Movement for the year	**28**	(40)
Closing balance	**68**	40

(d) Undistributed profit/(loss) attributable to unitholders

	2014 $'000	2013 $'000
Opening balance	**(149,880)**	(52,913)
Operating profit/(loss) after income tax and before finance costs attributable to unitholders	**2,366**	2,341
Distributions to unitholders	**(3,700)**	(99,308)
Closing balance	**(151,214)**	(149,880)

The undistributed loss attributable to unitholders of $151,214,000 comprises the following:

- Since inception operating profits after income tax of $69,445,000
- Since inception distributions to unitholders of $220,661,000 comprising:
    - Since inception income distributions of $78,416,000
    - Since inception returns of capital of $142,245,000

18 Derivative financial instruments

Cross currency swap contracts

In accordance with the Group's foreign currency risk management strategy cross currency swap contracts are used to reduce the Group's exposure to foreign exchange risk and interest rate risk arising from its interest bearing security holdings that are denominated in a foreign currency. The terms of the cross currency swap contracts closely match the terms of the underlying securities that are denominated in a foreign currency.

Details relating to cross currency swap contracts, including their fair values, at the end of the reporting period are set out below:

Related debt security	Counter party	Contract date	Maturity date	Foreign currency	Foreign currency principal payable		AUD principal receivable		Floating interest rate payable	Floating interest rate receivable	Fair value	
					2014 '000	2013 '000	2014 $'000	2013 $'000	%p.a.	%p.a.	2014 $'000	2013 $'000
Maher Terminals	Westpac	31-Oct-11	30-Sep-13	USD	n/a	20,000	n/a	19,175	USD-LIBOR-BBA + 4.25%	AUD-BBR-BBSW + 4.96%	n/a	(2,484)
Maher Terminals	Westpac	30-Sep-13	7-Jul-14	USD	20,000	n/a	21,229	n/a	USD-LIBOR-BBA + 4.25%	AUD-BBR-BBSW + 4.315%	(3)	n/a
											(3)	(2,484)

Forward foreign exchange contracts

In accordance with the Group's foreign currency risk management strategy forward foreign exchange contracts are used to reduce the Group's exposure to foreign exchange risk arising from its unlisted securities that are denominated in a foreign currency.

Details relating to forward foreign exchange contracts, including their fair values, at the end of the reporting period are set out below:

Related debt security	Counterparty	Contract Date	Value Date	Foreign currency	Buy AUD	Forward exchange rate	Sell Foreign Currency	Fair value	
					$'000		'000	2014 $'000	2013 $'000
Cory Environmental	Westpac	04-Jun-13	06-Dec-13	GBP	12,363	0.6320	7,814	n/a	(657)
								n/a	(657)

18 Derivative financial instruments (continued)

Warrants

Issuer	Counter party	Warrant Type	Premium Paid	Exercise Period	Warrants Issued No.	Expiry Date	Fair value	
							2014 $'000	2013 $'000
I-Med Holdings (DCA Group)	Hastings High Yield Fund	Issued warrants	Nil	Refer below	1	Refer below	n/a	-
							n/a	-

On 1 December 2011, in accordance with the DCA Group Recapitalisation Implementation Deed, the Group was issued with a DCA Group warrant in part consideration for its existing investment in the DCA junior term loan facility, for further details refer Note 12(c).

In accordance with the Warrant Deed, a warrant exercise event is defined as being:

(1) an IPO;
(2) a trade sale; or
(3) a Scheme of Arrangement or a Takeover Bid.

On the warrant exercise date the Issuer will be required to issue Warrant Shares in accordance with a formula set out in the Warrant Deed, or alternatively determine the cash amount payable to the Group in lieu of Warrant Shares, calculated as the Group's proportion of 10% of the Enterprise Value less the Monetary Threshold, the Monetary Threshold being $500m.

The warrant does not entitle the Group to any rights associated with being an I-Med Holdings ordinary equity holder.

On the 15 August 2013 the Group sold its investment holdings in I-Med, consisting of the Senior Facility D, ordinary shares and warrant. The Group received total sales proceeds of $2,192,000 upon the sale of its $2,182,000 investment, resulting in a realised asset gain of $10,000.

An overview of the risk exposures relating to derivatives is included in Note 20.

19 Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Unlisted equity securities
- Derivative securities

The Group has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

(i) *Classification of financial assets and financial liabilities*

AASB 13 Fair Value Measurement requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

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

Recognised fair value measurements

The tables below set out the Group's assets and liabilities measured and recognised at fair value as at 30 June 2014 and 30 June 2013.

2014

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets designated at fair value through profit or loss:				
Derivative securities	**-**	**(3)**	**-**	**(3)**
Unlisted equity securities	**-**	**-**	**3,941**	**3,941**
Total	**-**	**(3)**	**3,941**	**3,938**

2013

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Derivative securities	-	(3,141)	-	(3,141)
Unlisted equity securities	-	-	4,766	4,766
Total	-	(3,141)	4,766	1,625

19 Fair value measurements (continued)

(ii) *Transfers between levels*

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(b) Disclosed fair values

For all financial assets and liabilities other than those measured at fair value their carrying value approximates fair value.

(c) Valuation techniques used to derive Level 2 and Level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivative securities) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the Group's unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The fair value of forward foreign exchange contracts and cross currency swaps is determined using forward exchange rates at the end of the reporting period.
- Other techniques, such as capitalised earnings methodology, are used to determine the fair value of unlisted equity securities.

(d) Fair value measurements using significant unobservable inputs (Level 3)

The following tables present the changes in Level 3 items for the Group for the year for recurring fair value measurements:

2014

	Unlisted equity securities $'000
Opening balance	**4,766**
Sale of securities	**(825)**
Closing balance	**3,941**
Total unrealised gains or losses for the year included in the Consolidated Statement of Comprehensive Income for the financial assets and liabilities held at the end of the year	**-**

19 Fair value measurements (continued)

2013

	Unlisted equity securities $'000
Opening balance	8,927
Net gain/(loss) recognised in profit or loss	(4,161)
Closing balance	4,766
Total unrealised gains or losses for the year included in the Consolidated Statement of Comprehensive Income for the financial assets and liabilities held at the end of the year	4,161

(i) *Changes in valuation techniques*

There have been no changes to asset valuation techniques during the period.

(ii) *Valuation inputs and relationships to fair value*

The significant unobservable inputs used in level 3 fair value measurements are summarised below. See (c) above for the valuation techniques adopted.

Description	**Fair value as at 30 June 2014 $'000**	**Unobservable inputs ***
Unlisted equity securities	3,941	Other market information

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(iii) *Valuation processes*

At 30 June 2014, the Responsible Entity determined the fair value of the Hyne & Son ordinary shares to be $37.50 per share, consistent with a purchase offer received in 2013 from the Hyne & Son Ltd Board for a portion of the ordinary shares held by the Group.

The Responsible Entity then compared its valuation to an independent valuation of the Hyne & Son ordinary shares at 30 June 2013 conducted by KPMG that was determined primarily through a capitalised earnings methodology.

The main Level 3 inputs used to determine KPMG's valuation were:

- The maintainable EBITDA is determined based on the historical growth and volatility of earnings of the unlisted equity security over the last number of years.
- Capitalisation multiple for unlisted equity securities are estimated based on market information for similar types of companies and transactions.
- Marketability discount based on the liquidity of an investment or how quickly and certainly it can be converted to cash.

At each financial reporting period the fair value of each level 3 security is reconsidered by the Responsible Entity and updated where any new information has become available that may have a material impact on the unlisted equity security’s fair value.

The Responsible Entity still considers the $37.50 per share fair value of the Hyne & Son ordinary shares to be appropriate based on the information available to the Responsible Entity at 30 June 2014.

20 Financial risk management

(a) Market risk

The Group's principal financial instruments, other than derivatives, comprise cash and investments in unlisted debt securities and unlisted equity securities. The main purpose of these financial instruments is to generate a return on the investment made by unitholders. The Group has various other financial instruments such as receivables and payables, which arise directly from its operations.

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

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign currency risk, security price risk, and liquidity risk. The Responsible Entity reviews and agrees on policies for managing each of these risks on a regular basis.

(i) Credit risk

Credit risk represents the risk that the counterparty will be unable to pay amounts in full when they fall due and the Group will incur a financial loss.

The main concentration of credit risk to which the Group is exposed arises from the Group's unlisted debt securities. The Group is also exposed to counterparty credit risk on derivative securities, cash and cash equivalents and other receivables.

Credit risk is one of the major risks faced by the Group and may be broken down in two main categories:

- the risk that issuers of debt securities in which the Group has invested, are unable to satisfy their obligations under these securities; and
- the risk that the credit quality of securities held by the Group deteriorates.

Obligations under securities held by the Group include the payment of scheduled interest or dividends and the repayment or conversion of the loans or hybrid securities at maturity. Should an issuer fail to make these payments or meet its obligation, this may ultimately lead to a reduction in yield and a loss of capital for unitholders.

A decline in the credit quality of a security held by the Group could occur even though the debt security is meeting its obligations. This could result in a loss of capital in the event that the debt security was sold prior to its maturity and at a discount to its redemption price.

The Group manages credit risk by a thorough due diligence process and careful selection of listed and unlisted debt securities. Current derivative contracts and cash transactions are exposed to financial institutions with a long term credit rating of at least AA- (or its equivalent) from Moody’s and Standard & Poor’s.

Once a listed or unlisted security is acquired, the Responsible Entity maintains an active process of monitoring that security in order to ensure it continues to perform in line with expectations and continues to meet the Group’s wider portfolio requirements. The Responsible Entity maintains an active dialogue with issuers and receives regular reporting on performance. The reporting typically includes the provision of compliance certificates, management accounts and annual reports. Updates on each security are conveyed in annual reports to unitholders.

In addition, the Responsible Entity carries out a semiannual credit review process on each security which is presented to the Responsible Entity's Infrastructure Debt Investment Committee. The Responsible Entity's Infrastructure Debt team is responsible for preparing the models for the valuation analysis that is submitted to the Investment Committee. The credit reviews and valuations comprise of detailed commentary on the Group’s portfolio of securities, which incorporates impairment testing. For further details on impairment testing refer to Note 2(j).

20 Financial risk management (continued)

The Group's debt securities are generally unrated and not listed on an exchange. The internal assessment of the overall credit quality of the debt securities held by the Group is sub-investment grade. Sub-investment grade is commonly referred to where the security has a credit rating below BBB- on Standard & Poor's credit rating scale.

All financial assets that are past due are impaired at the end of the reporting period.

(ii) Interest rate risk

Interest rate risk is the risk that a financial instrument's value or its cash flows may fluctuate as a result of changes in market interest rates. Financial instruments whose cash flows are determined by variable interest rates include cash equivalents, unlisted securities and interest bearing borrowings.

The returns from the Group's unlisted securities may be based on a fixed margin above a floating rate of interest, or alternatively based on a fixed rate of interest. A change in the level of interest rates could affect the attractiveness of the Group's investment portfolio compared to other investment funds.

The majority of the Group's investment portfolio is invested in debt securities which generate a floating rate of interest.

Where appropriate, the Group may choose to use interest rate derivatives to swap a fixed rate exposure to a margin above a floating rate.

(iii) Foreign exchange risk

Foreign exchange risk is the risk that a financial instrument's value or the value of its cash flows may fluctuate as a result of change in foreign currency rates.

The Group holds financial instruments, including cash and cash equivalents, unlisted securities and derivative securities denominated in currencies other than the Australian Dollar.

The Group is therefore exposed to movements in the Australian Dollar/relevant foreign currency rate.

The Group's foreign currency risk management policy is to utilise derivative securities to fully hedge the principal and interest components of all performing foreign currency investments. Hedging of non-performing or watch list assets are considered on an asset by asset basis. Foreign currency investments are hedged to Australian Dollars in relation to anticipated cash flow profiles to minimise exposure to movements in foreign currency and foreign interest rates.

The details of derivative securities held by the Group in respect of unlisted securities denominated in foreign currencies are disclosed at Note 18.

20 Financial risk management (continued)

The following table summarises the Group's foreign exchange exposures:

	Exposures: EUR		Exposures: GBP		Exposures: USD	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Financial assets						
Cash and cash equivalents	2	2	2,412	1,326	287	292
Unlisted securities			14,313	12,575	21,288	21,665
	2	**2**	**16,725**	**13,901**	**21,575**	**21,957**
Financial liabilities						
Payables	-	-	32	-	-	-
Derivative securities - principal payable	-	-	-	13,021	21,288	21,660
Derivative securities - interest payable	-	-	-	-	-	5
	-	**-**	**32**	**13,021**	**21,288**	**21,665**
Net exposure	**2**	**2**	**16,693**	**880**	**287**	**292**

(iv) Price risk

Price risk is the risk that a financial instrument's value may fluctuate as a result of changes in its price.

The Group is exposed to price risk arising from movements in its unlisted equity security prices.

The Group mitigates price risk by a thorough review process. Unlisted equity securities are monitored throughout the year via management reporting and discussions with the underlying investee company. The Responsible Entity reviews all these factors on an ongoing basis and formally each six months through the Responsible Entity's impairment review process.

Due to its long term investment horizon, the Group does not hedge these short term fluctuations.

(v) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as and when they fall due or can only do so in forms that are materially disadvantageous.

The Group invests predominantly in unlisted and unrated debt securities which are not listed on an exchange or frequently traded and should therefore be considered illiquid.

To manage liquidity risk, the Group actively monitors cash and cash equivalents balances and forecasts operational cash flows and liabilities on a regular basis.
All the Group's financial liabilities are due within 12 months.

	Less than 1 year		Totals	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Derivative securities				
Outflow (foreign currency principal payable)	(22,202)	(34,681)	(22,202)	(34,681)
Inflow (Australian dollar principal receivable)	22,199	31,539	22,199	31,539
	(3)	**(3,142)**	**(3)**	**(3,142)**

20 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's material financial assets and financial liabilities to interest rate risk and foreign exchange risk after allowing for the impact of effective hedging arrangements.

The effect of a +/- 1% shift in interest rates has been selected for interest rate sensitivity as it represents the approximate historical 12 month movement in the yield of the six month Australian bank bill rate. The interest rate sensitivity for floating rate instruments assumes expected cash flows to be received will fluctuate with interest rate movements. The interest rate sensitivity for fixed rate instruments assumes that the value of the security fluctuates with external interest rate changes.

The impact of a +/- 10% movement in foreign exchange rates has been selected for foreign currency sensitivity. In the current financial year, the Australian Dollar (AUD) appreciated 1.75% against the US Dollar (USD) and depreciated 9.03% against the British Pound Sterling (GBP) and 2.60% against the Euro (EUR).

A sensitivity of 10% was selected as it represents the foreign exchange movement over a 12 month period in view of the longer term historical volatility.

		Interest rate risk		**Foreign exchange risk**	
		-1.0%	**+1.0%**	**-10.0%**	**+10.0%**
2014	**Carrying Value $'000**	**Profit/(loss) $'000**	**Profit/(loss) $'000**	**Profit/(loss) $'000**	**Profit/(loss) $'000**
Financial assets:					
Cash and cash equivalents	9,790	(98)	98	300	(246)
Receivables	380	-	-	-	-
Securities	39,539	(356)	356	3,956	(3,236)
Financial liabilities:					
Payables	(152)	-	-	-	-
Total increase/(decrease)		**(454)**	**454**	**4,256**	**(3,482)**

		Interest rate risk		Foreign exchange risk	
		-1.0%	+1.0%	-10.0%	+10.0%
2013	Carrying Value $'000	Profit/(loss) $'000	Profit/(loss) $'000	Profit/(loss) $'000	Profit/(loss) $'000
Financial assets:					
Cash and cash equivalents	32,113	(321)	321	180	(147)
Receivables	438	-	-	-	-
Securities	37,246	(342)	342	2,373	(1,941)
Financial liabilities:					
Payables	18,855	-	-	-	-
Total increase/(decrease)		(663)	663	2,553	(2,088)

21 Related party transactions

Responsible entity

The Responsible Entity of Hastings High Yield Fund is Hastings Funds Management Limited.

The immediate parent entity of Hastings Funds Management Limited is Hastings Management Pty Limited.

The ultimate parent entity of Hastings Management Pty Limited is Westpac Banking Corporation (Westpac).

Transactions between the Group and the Responsible Entity and its related entities during the year are detailed below:

- Responsible Entity management fee expense: $273,841 (2013 - $656,654)
- Responsible Entity performance fee expense: $nil (2013 - $nil)
- Reimbursement of expenses paid to the Responsible Entity: $71,690 (2013 - $65,579)
- Interest income - cash and cash equivalents - Westpac: $299,885 (2013 - $1,107,809)
- Interest income - derivative securities - Westpac: $1,510,187 (2013 - $2,815,086)
- Interest expense - derivative securities - Westpac: $1,006,940 (2013 - $1,603,354)
- Bank fees - Westpac: $6,002 (2013 - $6,797)
- Distributions declared - Westpac: $168,690 (2013 - $4,508,796)

For further details in relation to management fees and performance fees refer to Notes 8 and 9.

Balances outstanding with the Responsible Entity and its related entities at year end are detailed below:

- Cash and cash equivalents - Westpac: $9,182,790 (2013 - $29,490,794)
- Responsible Entity management fees payable: $66,037 (2013 - $100,599)
- Responsible Entity expense reimbursement payable: $nil (2013 - $nil)
- Interest receivable - derivative securities - Westpac: $372,247 (2013 - $397,692)
- Interest payable - derivative securities - Westpac : $241,269 (2013 - $256,396)
- Distributions payable - Westpac: $nil (2013 - $860,290)

For details of derivative securities in place with Westpac refer to Note 18.

All transactions with related parties were conducted under commercial terms and conditions.

21 Related party transactions (continued)

Related party unitholdings

The Responsible Entity and its related entities, including other schemes managed by the Responsible Entity, held the following units in the Scheme:

2014 **Unitholder**	**Number of units held opening (Units)**	**Number of units acquired (Units)**	**Number of units disposed (Units)**	**Number of units held closing (Units)**	**Interest held closing (%)**
Other Westpac group entities	4,752,984	716,545	(1,118,248)	4,351,281	4.222
	4,752,984	**716,545**	**(1,118,248)**	**4,351,281**	**4.222**

2013 Unitholder	Number of units held opening (Units)	Number of units acquired (Units)	Number of units disposed (Units)	Number of units held closing (Units)	Interest held closing (%)
Other Westpac group entities	4,629,524	1,501,249	(1,377,630)	4,752,984	4.611
	4,629,524	1,501,249	(1,377,630)	4,752,984	4.611

Key management personnel

(a) Directors

Alan Cameron (Chairman)
Andrew Day - Retired 21 September 2013
James Evans
William Forde - Retired 21 September 2013
Stephen Gibbs - Retired 21 September 2013
Anthony Masciantonio - Appointed 20 September 2013
James McDonald - Retired 21 September 2013
Victoria Poole - Retired 21 September 2013

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly during the financial year:

Name	**Position**
Ross Pritchard	Chief Operating Officer - Hastings High Yield Fund

Key management personnel compensation

Key management personnel are paid by Hastings Management Pty Limited. Payments made from the Group to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

No units were granted to key management personnel during the year as compensation.

22 Parent entity financial information

(a) Summary financial information

	2014	2013
	$'000	$'000
Statement of Financial Position		
Total assets	**49,824**	69,865
Total liabilities	**124**	18,809
Net assets attributable to unitholders - liability:		
Issued units	**200,702**	200,702
Undistributed profit/(loss) attributable to unitholders	**(151,002)**	(149,646)
	49,700	51,056

Statement of Comprehensive Income		
Operating profit/(loss) before finance costs attributable to unitholders	**2,344**	2,339
Profit for the year	-	-
Total comprehensive income for the year	-	-

(b) Contingent assets and liabilities and commitments

2014

Letter of Financial Support Issued to Subsidiary

The Scheme has issued a letter of financial support dated 28 August 2014 to its subsidiary entity, HHY International Holdings 1 Pty Ltd, undertaking that for so long as the HHY International Holdings 1 Pty Ltd is a wholly owned subsidiary of the Scheme, it intends to financially support HHY International Holdings 1 Pty Ltd to the extent of any shortfall in shareholders' equity resulting from a decrease in the carrying amount of unlisted securities from time to time.

There were no other outstanding contingent assets or liabilities or commitments as at 30 June 2014.

2013

Letter of Financial Support Issued to Subsidiary

The Scheme has issued a letter of financial support dated 29 August 2013 to its subsidiary entity, HHY International Holdings 1 Pty Ltd, undertaking that for so long as the HHY International Holdings 1 Pty Ltd is a wholly owned subsidiary of the Scheme, it intends to financially support HHY International Holdings 1 Pty Ltd to the extent of any shortfall in shareholders' equity resulting from a decrease in the carrying amount of unlisted securities from time to time.

There were no other outstanding contingent assets or liabilities or commitments as at 30 June 2013.

23 Segment information

(a) Operating segments

Operating segments are based on the reports reviewed by the Board of Hastings Funds Management Limited (acting in its capacity as the Responsible Entity of the Scheme and the Group) that are, in conjunction with the input and guidance of the Chief Operating Officer of the Scheme and the Group, used to make strategic decisions for the Group. The operating segment is aligned with the investment objectives and guidelines set out in the Scheme's PDS and in accordance with the provisions of the Scheme's Constitution.

The Group has one reportable operating segment being the investment in unlisted debt securities.
The Responsible Entity takes a broad portfolio construction approach to its investment and divestment activities of securities and to the management of the Group. Accordingly, all operating decisions are based upon analysis of the Group as one operating segment.

The reportable operating segment's income consists of interest income, participation fees, consent fees and gains and losses from movements in the value of investments, cash, receivables and borrowings.

The segment information reported to the Board of the Responsible Entity is consistent with the Australian Accounting Standards and therefore consistent with the information included within the consolidated financial statements.

24 Earnings per unit

Earnings per unit

The earnings per unit calculation that is performed in accordance with AASB 133 Earnings per Share results in earnings per unit of nil cents as AASB 133 refers to equity, whilst issued units are classified as debt.

The directors believe it is useful to calculate and disclose earnings per unit based on operating profit/(loss) after income tax and before finance costs attributable to unitholders for the year.

Basic operating profit/(loss) after income tax and before costs attributable to unitholders per unit is calculated as operating profit/(loss) after income tax and before finance costs attributable to unitholders for the year, divided by the weighted average number of ordinary units on issue, adjusted for any bonus element.

Diluted operating profit/(loss) after income tax and before costs attributable to unitholders per unit is not materially difference from basic operating profit/(loss) after income tax and before costs attributable to unitholders per unit.

	2014	**2013**
Basic operating profit/(loss) after income tax and before costs attributable to unitholders per unit (cents per unit)	**2.30**	2.27
Earnings used in calculating basic operating profit/(loss) after income tax and before costs attributable to unitholders per unit ($'000)	**2,366**	2,341
Weighted average number of units on issue ('000)	**103,070**	103,109

25 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2014 and 30 June 2013.

26 Events after the reporting period

On the 3 July 2014 the Group's holding in Maher Terminal's junior floating rate loan was repaid in full in advance of its scheduled maturity. The Group received total proceeds of $21,330,000 (USD 20,000,000) upon the repayment of its original investment. On 8 July 2014, the Group closed out the related Maher Terminals cross currency swap contract resulting in the recognition of a realised loss of $58,745.

A special distribution of $26,600,000 (25.8 cents per unit) was declared on 31 July 2014 to return surplus cash associated with the Maher Terminal's repayment proceeds to unitholders. The special distribution is scheduled to be paid on 29 August 2014.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the Consolidated Statement of Financial Position as at 30 June 2014 or on the results and cash flows of the Scheme for the year ended on that date.

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

(a) the consolidated financial statements and notes set out on pages 6 to 44 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards (including interpretations) and other mandatory professional reporting requirements, the *Corporations Regulations 2001* and are in accordance with the Scheme's Constitution; and

  (ii) giving a true and fair view of the consolidated Scheme's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable, and

Note 2(a) confirms that the consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations requested to be made to the directors in accordance with section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

James K Evans

James Evans
Director
28 August 2014

Independent auditor's report to the members of Hastings High Yield Fund

Report on the Financial Report

We have audited the accompanying financial report of Hastings High Yield Fund (the scheme), which comprises the Consolidated Statement of Financial Position as at 30 June 2014, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Hastings High Yield Fund (the consolidated entity). The consolidated entity comprises the scheme and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of Hastings Funds Management Limited as the Responsible Entity for the scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion
In our opinion:

(a) the financial report of Hastings High Yield Fund is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Matters relating to the electronic presentation of the audited Financial Report

This auditor's report relates to the financial report of Hastings High Yield Fund for the year ended 30 June 2014 included on Hastings Funds Management Limited's (the Responsible Entity for Hastings High Yield Fund) web site. The directors of Hastings Funds Management Limited (HFML) are responsible for the integrity of the HFML web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Elizabeth O'Brien

Elizabeth O'Brien
Partner

Melbourne
28 August 2014

D. Independent auditor's report

The financial report has been audited and the report is attached. Refer to Section C.