



**2014**


Hastings High Yield Fund  
Annual Report



Transforming global  
infrastructure investment  
opportunities to deliver  
long-term value

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The Hastings High Yield Fund (HHY or “the Fund”) has sought to provide a regular source of income by making quarterly cash distributions supported by a portfolio of debt securities.

The Fund has sought to provide unitholders with exposure to a portfolio of debt securities in the form of loans and hybrid securities. The Fund currently has two residual investments. HHY will no longer consider further investments and will return surplus cash to investors as part of an orderly run-off and wind-up of the Fund.

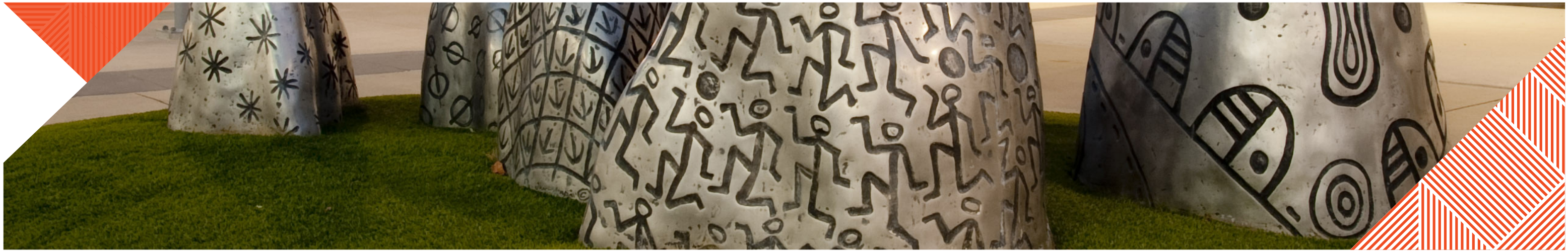
#### About this report

Hastings aims to make this Annual Report an accurate and easy-to-read document for unitholders and other key stakeholders. The report has been condensed and provides information about the Fund’s corporate governance, financial information and investor information for the 2014 financial year. If you would like further information regarding the Fund’s activities and performance during the year, we recommend that you access HHY’s Appendix 4E, which is located at [www.hastingsinfra.com](http://www.hastingsinfra.com). Your feedback and suggestions for improvement are welcomed. If you have any comments on the report, please contact the Company Secretary of HHY on + 61 3 8650 3600 or [investor\\_relations@hastingsinfra.com](mailto:investor_relations@hastingsinfra.com)

#### About Hastings Funds Management

Hastings Funds Management Limited (Hastings) is the Manager and Responsible Entity for HHY. Hastings is a specialist manager of infrastructure equity and debt. Established in 1994, Hastings now manages approximately \$9.2 billion in funds under management (includes invested capital at market valuation and committed but not invested capital), providing the investment community with direct access to infrastructure assets such as airports, tollroads, seaports, gas and electricity transmission and water utilities. Hastings is majority owned by Westpac Banking Corporation, with staff being the other shareholders.





## Investment Philosophy

The Fund has assembled an investment portfolio of debt securities with the objective of providing unitholders with a regular source of income. HHY is no longer considering new investments and is in the process of returning cash to investors as part of an orderly run-off and wind-up of the Fund.

### Investment strategy

Historically, the key elements of the Fund’s investment strategy were as follows:

- target investment in unlisted and unrated securities that are not otherwise readily accessible to Australian Securities Exchange (ASX) investors;
- invest in debt securities issued by Australian and international entities that:
  - are exposed to the infrastructure and essential services industry sectors;
  - hold a significant market position;
  - generate predictable cash flows;
  - rank ahead of an appropriate level of shareholder equity; and
- share an alignment of interests with management and shareholders;
- invest in debt securities that provide for potential gains flowing from re-rating, early repayment and equity participation;
- target active involvement to generate fee income and positively influence the terms of investment; and
- hold investments for the medium to long term.

HHY will no longer consider further investments and will return any surplus cash to investors as part of an orderly run-off and wind-up of the Fund. This process is expected to take in excess of two years and the market will be kept informed of developments.

### Generation of returns

Returns to unitholders comprise regular cash distributions, distribution of annual tax credits and movements in the traded price of units listed on the ASX.

Cash distributions are predominantly derived from:

- periodic income, in the form of interest and dividends, generated by the Fund’s investment portfolio of debt securities;
- fee income associated with investments;
- any realised gains, in the form of gains on sale, early repayment and equity participation; and
- excess cash.

Movements in the net asset value of units reflect the valuation of investments held by the Fund, including any unrealised gains or losses on investments.

Unitholders should be aware that the net asset value of units may differ from the traded price of units on the ASX.

### Transaction sources

The Fund is currently invested in securities issued by Australian and international entities from member countries in the European Union or Organisation for Economic Co-operation and Development (OECD). Historically securities were sourced from transactions associated with:

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

## Highlights and Events

### Key highlights since 1 July 2013

#### 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.

#### Fund activity and distributions

During the financial year ended 30 June 2014 a cash distribution 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 equating to 25.8 cents per unit was paid on 29 August 2014 to return surplus cash associated with the Maher Terminal’s repayment proceeds to unitholders.

### Summary and 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 ben-efits 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.

# Hastings Funds Management Limited Board

## Alan Cameron AO (Chairman)

BA, LL.M (SYD), FAICD

Term of office: Chairman since 6 October 2009,  
Director since April 2009

Non-executive and Independent: Yes

External directorships: Current: AQRB Pty Ltd, ASX Compliance Pty Limited, Property Exchange Australia Limited, St George Life Limited, WBC Life Insurance Services Limited, Westpac General Insurance Limited and Westpac Lenders Mortgage Insurance Limited.

Skills, experience and expertise: Alan is a lawyer and was a partner of the firm now known as Ashurst Australia from 1979 to 1991 and managing partner from 1982 to 1985 and 1989 to 1991. He was Commonwealth Ombudsman from April 1991 until the end of 1992, and Chairman of the ASC and its successor, ASIC, from January 1993 to November 2000.

Since 2000, Alan has been involved in regulatory projects and governance reviews of various kinds, and is a consultant and a company director. He is currently Deputy Chancellor of the University of Sydney, and a consultant to Ashurst Australia.

HFML Board committee membership: Alan was appointed a member of the Audit Committee in September 2013.

## James Evans

BEC, CPA, F FIN, FAICD

Term of office: Director since October 2009

Non-executive and Independent: Yes

External directorships: Current: Chair of BT Investment Management Limited, Equigroup Group of Companies, Investa Wholesale Funds Management Limited, Macquarie Generation and Suncorp Portfolio Services Limited. Previous: Director of Australian Infrastructure Fund Limited.

Skills, experience and expertise: James has extensive experience as a senior executive in the finance industry. James was previously the Chief Risk Officer, Wealth Management at the Commonwealth Bank of Australia (CBA), a position he held from 2003 to 2008. His work included directorships in the CBA Group’s funds management and insurance businesses. Previously, James held a number of senior roles at CBA in the areas of finance and accounting, as well as at Lend Lease, which included directorships in funds management and senior positions in finance. He also had senior roles at GEC Australia and Grace Bros.

HFML Board committee membership: James was appointed a member of the Audit & Compliance Committee in October 2009 and appointed as Chair of the Audit & Compliance Committee in January 2010.

## Tony Masciantonio

BEC (HONS)

Term of office: Director since September 2013

Executive Positions: Managing Director & Head of Debt Markets, Westpac Institutional Bank

Non-executive and Independent: No

External directorships: Current: Director of Hastings Management Pty Ltd (HMPL), BOS International (Australia) Ltd and a number of Westpac subsidiaries.

Skills, experience and expertise: Tony joined Westpac in October 2007 and is a member of the Westpac Institutional Bank (WIB) executive management team. Prior to joining Westpac, Tony held a number of senior management positions at Deutsche Bank in Australia/NZ and the United Kingdom. He has over 25 years’ experience in institutional and investment banking, and is currently Managing Director and Head of Debt Markets. Tony was also previously Head of Originations and a member of the executive management team of HMPL.

The following directors retired  
effective 21 September 2013:

## Liam Forde

BSC (ECON), MAICD

1 July 2012 to 21 September 2013

Non-executive and Independent: Yes

Skills, experience and expertise: Liam held senior executive positions in a variety of industries, including Ford Motor Company in the UK, Simpson Holdings Limited and Boulderstone Hornibrook in Australia. His industry experience covered retailing, domestic appliance manufacture and distribution, electronics, automotive, and the development, financing and construction of major infrastructure. He was formerly Chief Executive of Boulderstone Hornibrook, one of Australia’s leading construction and engineering companies.

## Stephen Gibbs

BECON, MBA

1 July 2012 to 21 September 2013

Non-executive and Independent: Yes

Skills, experience and expertise: Stephen joined the HFML Board following senior roles in industry superannuation funds and investment management. Stephen was Chief Executive Officer of Australian Reward Investment Alliance (ARIA), a position he held from January 2000 until January 2008. Prior to his role at ARIA, Stephen was the Executive Officer of the Australian Institute of Superannuation Trustees.

## James McDonald

FAICD

1 July 2012 to 21 September 2013

Non-executive and Independent: Yes

Skills, experience and expertise: James has over 30 years’ experience in the oil and gas production and gas transmission industries. He was Managing Director and CEO of Australian Pipeline Trust (now APA Group) from 2000 to 2005. Prior to that, he was General Manager Pipeline Division of Australian Gas Light Company. He is a Past President and Honorary Life Member of the Australian Pipeline Industry Association, and served on the Board of the Australian Gas Association.

## Victoria Poole

LL.B (HONS), LL.M, B.SC

1 July 2012 to 21 September 2013

Non-executive: Yes Independent: No

Skills, experience and expertise: Victoria has significant expertise and knowledge in both governance and funds management. She was General Manager & Corporate Counsel - Institutional & Services at Westpac Banking Corporation, a position she held from May 2010 to May 2014. Before joining Westpac, Victoria was a partner at Allens Arthur Robinson practising in mergers and acquisitions, capital markets transactions and funds management. Victoria’s major transactions included the take private of Macquarie Capital Alliance Group, the internalisation of Macquarie Airports, the merger of Hutchison Telecommunications (Australia) Limited and Vodafone Australia Limited, the merger of St. George Bank and Westpac Banking Corporation and the initial public offerings of Galileo Japan Trust and BT Investment Management Limited. Victoria is a member of the Law Council Corporations Committee.

## Andrew Day (Chief Executive)

BENG (HONS), BSC (HONS), MENGSC

1 July 2012 to 21 September 2013

Non-executive and Independent: No

Skills, experience and expertise: Andrew commenced as Chief Executive of Hastings in October 2011 and was previously Chief Executive of Eircom Holdings Limited, an investment company. In this role, he managed interests in the Irish telecommunications business Eircom and the Israeli directories business Golden Pages. Previously, he was Chief Executive and then Chairman of Truvo, a private equity owned company based in Europe, and prior to this held the position of Chief Executive Officer at Sensis in Australia. In Andrew’s earlier career with Telstra Corporation, he held a range of senior roles running business units, including that of Managing Director, Commercial and Consumer Sales.



# Corporate Governance Statement

Hastings Funds Management Limited (HFML) is the Responsible Entity of the Hastings High Yield Fund (HHY or “the Fund”). As a listed entity, HHY complies with the ASX Listing Rules, which require HFML to provide a statement in the Annual Report disclosing the extent to which HFML has complied with the ASX Corporate Governance Council’s Principles and Recommendations (ASXCGC’s Recommendations). This Corporate Governance Statement addresses HFML’s compliance with each of the ASXCGC’s Recommendations. Further information regarding HFML’s corporate governance practices, including copies of key policies and charters, can be found on the HFML website at [www.hastingsinfra.com](http://www.hastingsinfra.com)

## 1 Board, committees and oversight of management

### 1.1 Board’s role and responsibilities

HFML is the Responsible Entity, Trustee and Manager of a number of funds. The Board of HFML has the responsibility of managing and administering HHY for the benefit of unitholders. HFML is part of a broader corporate group (Hastings Group). The corporate operations of the Hastings Group are controlled by Hastings Management Pty Ltd, the owner of HFML. Hastings Management Pty Ltd is a subsidiary of Westpac. The HFML Board has the responsibility for the investment activities and performance of the funds, including HHY. The governance arrangements for HFML recognise that the duties of the HFML directors to HHY investors, take priority over the duties of the directors to HFML, its parent company and others in the corporate group.

The Board of HFML has adopted a formal Charter that details the roles and responsibilities of the Board. A copy of the Charter is available at [www.hastingsinfra.com](http://www.hastingsinfra.com). Key responsibilities of the Board in summary are:

- to act in the best interests of unitholders;
- to monitor and oversee the control and compliance framework relating to the obligations and requirements under the Fund’s Constitution, its Australian Financial Services Licence, the Corporations Act and other relevant regulatory requirements;
- to approve the Fund’s strategic plan;
- to review and monitor the Fund’s investment performance;
- to monitor the financial position of the Fund;
- to monitor and review the risk management framework of the Fund; and
- to determine the Fund’s distribution policy.

The Board has adopted a formal Delegation of Authority in favour of the Chief Executive, Company Secretary and senior members of management in order to allow management to carry on the business of the Fund. The scope of, and limitations to, management delegated authority is clearly documented and covers areas such as investment recommendations and fund expenditure.

### 1.2 Board composition and independence

At 1 July 2013, the Board of HFML consisted of seven directors, five of whom were independent. On 21 September 2013, following a reduction in the obligations and responsibilities of the HFML Board, five directors retired from the Board, being Liam Forde, Andrew Day, Victoria Poole, Stephen Gibbs and James McDonald. On the same day, Anthony Masciantonio was appointed as a nominee director of Hastings’ major shareholder Westpac, replacing Victoria Poole. Alan Cameron and James Evans continue as independent directors on the HFML Board.

The composition of the Board of HFML is designed to ensure that it achieves a balance of skills and experience to focus on maximising investor value. Further detail about the nomination of HFML’s directors and HFML’s diversity policy is set out below. The Board acknowledges that it is critical that its membership continue to comprise a majority of independent directors in accordance with Principle 2 of the ASXCGC’s Recommendations. Accordingly, the Board undertakes an annual review of director independence to ensure that it is able to effectively discharge its responsibilities and duties with the benefit of a range of independent perspectives and judgements.

The HFML Board has adopted the definition of independence set out in the ASXCGC’s Recommendations. Directors are considered independent if they are non-executive and not a member of management and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board may determine the level of materiality to be applied when applying Principle 2.1 of the ASXCGC’s Recommendations.

As at 30 June 2014, the directors of HFML were:

- **Alan Cameron, Chairman:** Alan was appointed to the Board in April 2009, and in October 2009 was appointed Chairman. He is an independent director.
- **James Evans:** James was appointed to the Board in October 2009, and is an independent director.
- **Anthony Masciantonio:** Anthony was appointed to the Board on 20 September 2013.

The number of HFML Board meetings held during the year and the number of meetings attended by each director is shown in the table on page 9.

Individual directors’ details including their skills and experience are set out on pages 5 and 6.

### 1.3 Board committees

The Board has established an Audit and Compliance Committee to assist, advise and make recommendations to the Board on matters falling within its responsibilities.

Each Committee is governed by a formal charter approved by the Board setting out its roles and responsibilities.

The roles and responsibilities of the Audit & Compliance Committee are set out in section 2.1.

### 1.4 Nomination and remuneration of directors

HFML has not established a Nomination Committee because the nomination, appointment and remuneration of its directors are determined by Westpac. Westpac’s Nomination Committee approves the appointment of the non-executive directors, and also determines the remuneration of the non-executive directors. The appointment and remuneration of executive directors are determined by Hastings Management Pty Ltd in consultation with Westpac. Neither employees of the Hastings Group nor HFML’s directors are remunerated out of the property of the Fund. For the reasons above, HFML has not established a Remuneration Committee.

### 1.5 Review of performance Board, committees and directors

The Board normally reviews its own performance annually, including the performance of each director. The general management and oversight of the process of review, together with development of appropriate Board member performance assessment measures, is the responsibility of the Chairman. During the 2013/2014 year, a review of the Board’s performance was not undertaken because of the number of director retirements and changes to the composition of the Board that occurred in September 2013. The Audit & Compliance Committee normally assesses its effectiveness annually, with a view to ensuring that its performance accords with best practice. For the same reasons that a review of the performance of the Board was not undertaken during the Fund’s financial year, a review of the Audit & Compliance Committee’s performance was not considered appropriate.

# Corporate Governance Statement

## Management

The performance of all Hastings Group employees, including the Chief Executive and senior management, is reviewed annually as part of the process for setting business plans and objectives and to assist in clarifying roles and responsibilities. The Hastings Group Performance Management System is designed to ensure that individual and team performance is consistent with the strategic objectives of the Hastings Group, while ensuring that the interests of investors in HFML’s funds remain paramount, and that the performance expectations, measures and targets are clearly defined, agreed and reviewed throughout the year. The management performance evaluations are conducted each year following the end of the Hastings Group’s financial year, which is 30 September. The performance of senior executives impacts their individual variable reward outcomes. In addition, since August 2011, the performance of senior executives, both collectively as a Hastings Group business and individually, has a direct impact on their individual holdings of Hastings Group securities, which have been granted under the Hastings Long Term Incentive Plan (LTIP). A review of the performance of senior executives was conducted in the Fund’s financial year and was in accordance with the process described above.

## 1.6 Board meetings

The Board meets regularly and is provided with all necessary information to participate in an informed discussion of all agenda items. The Board also meets from time to time in the absence of management to discuss the operations of the Board and a range of other matters.

Board				
Director	No. of scheduled meetings held while a director	No. of meetings attended	Extraordinary <sup>(1)</sup>	
			Meetings eligible to attend while a director	No. of meetings attended
A Cameron	9	9	6	5
A Day <sup>(2)</sup>	3	3	2	2
J Evans	9	9	6	6
J McDonald <sup>(3)</sup>	3	3	2	2
L Forde <sup>(4)</sup>	3	2	2	2
S Gibbs <sup>(5)</sup>	3	3	2	2
T Masciantonio <sup>(6)</sup>	6	5	4	2
V Poole <sup>(7)</sup>	3	3	2	2

<sup>(1)</sup> Extraordinary meetings may be called at short notice. Even though every effort is made to schedule a meeting for all directors to attend, sometimes this is not possible.

Note: This table does not include matters dealt with by the Board by way of circular resolution.

<sup>(2)</sup> Andrew Day resigned as a Director on 21 September 2013

<sup>(3)</sup> Jim McDonald resigned as a Director on the 21 September 2013

<sup>(4)</sup> Liam Forde resigned as a Director on the 21 September 2013

<sup>(5)</sup> Steve Gibbs resigned as a Director on the 21 September 2013

<sup>(6)</sup> Tony Masciantonio was appointed as a Director on the 21 September 2013

<sup>(7)</sup> Victoria Poole resigned as a Director on the 21 September 2013

## 1.7 Education

HFML has an induction process for new directors, and directors are encouraged to update and enhance their skills and knowledge by appropriate training programs funded by HFML. There is also an induction process for all employees to ensure that they understand their responsibilities.

## 1.8 Independent professional advice

After consultation with the Chairman of HFML, directors may seek independent legal or other professional advice at the expense of HFML. Following its receipt, such advice would normally be made available to all directors.

## 1.9 Company Secretaries

The directors have unfettered access to the appointed Company Secretaries, who are accountable to the Board on governance matters. The Board is responsible for the appointment and removal of the Company Secretaries.

# 2 Financial reporting

## 2.1 Audit & Compliance Committee

The Board of HFML has established an Audit & Compliance Committee with a formal Charter setting out its roles and responsibilities. The Charter is available for inspection on the website at [www.hastingsinfra.com](http://www.hastingsinfra.com)

The duties of the Audit & Compliance Committee include:

- reviewing the financial management and internal controls, including reviewing the financial statements and the adequacy of the scope and quality of the annual and half year statutory audits;
- monitoring the internal audit function;
- monitoring and reviewing the external audit process, including recommending the appointment of the external auditor to the Board of HFML;
- monitoring and reviewing risk management processes and procedures; and
- monitoring compliance, including Fund compliance and reviewing the Compliance Plan to ensure it continues to cover the risks and compliance issues relevant to the Fund.

On 1 July 2013, the Audit & Compliance Committee consisted of three members, all non-executive and independent. The Chairman of the committee was James Evans; Stephen Gibbs and James McDonald were members. On 21 September 2013, Stephen Gibbs and James McDonald retired as directors and were replaced on the Audit & Compliance Committee by Alan Cameron and Shane Flatman. Employed by Westpac, Shane Flatman is a senior executive with a strong finance background. James Evans continues to Chair the Audit & Compliance Committee. Each member was expected to be financially literate (be able to read and understand financial statements).

All directors of the HFML Board were entitled to attend the Committee meetings and were provided copies of the Committee’s papers and all minutes. The Chairman of the Committee provided the Board with a verbal report following each Audit & Compliance Committee meeting.

The internal and external auditors, Chief Executive, Chief Financial Officer, Company Secretary and Head of Risk and Compliance attend by invitation.

The number of Audit & Compliance Committee meetings held during the year and the number of meetings attended by each member is shown below.

Audit Committee				
Director	No. of scheduled meetings held while a member of the committee	No. of meetings attended	No. of non <sup>(1)</sup> -scheduled meetings	
			held while a member of the committee	No. of meetings attended
J Evans	6	6	1	1
A Cameron <sup>(2)</sup>	5	5	0	0
S Flatman <sup>(3)</sup>	5	5	0	0
S Gibbs <sup>(4)</sup>	1	1	1	1
J McDonald <sup>(5)</sup>	1	1	1	1

<sup>(1)</sup> Extraordinary meetings may be called at short notice. Even though every effort is made to schedule a meeting for all directors to attend, sometimes this is not possible.

Note: This table does not include matters dealt with by the Board by way of circular resolution.

<sup>(2)</sup> Alan Cameron was appointed as a Member to the Audit and Compliance Committee in September 2013

<sup>(3)</sup> Shane Flatman was appointed as a Member to the Audit and Compliance Committee in September 2013

<sup>(4)</sup> Stephen Gibbs resigned as a Member of the Audit and Compliance Committee on the 21 September 2013

<sup>(5)</sup> Jim McDonald resigned as a Member of the Audit and Compliance Committee on the 21 September 2013

# Corporate Governance Statement

## 2.2. External auditor

PricewaterhouseCoopers is the external auditor of the Fund. The audit partner is invited to attend Audit & Compliance Committee meetings and to attend any unitholder meetings and answer any questions about the conduct of the audit and the preparation and content of the Auditor's Report.

PricewaterhouseCoopers is required to confirm to the Fund its independence and compliance with independence standards. The Board has adopted a policy in relation to the provision of non-audit services by the external auditor that might detract from the auditor's independence and impartiality or be perceived as doing so. Specifically, it has been determined that the auditor should not provide the following services to the Fund:

- independent valuations of assets for the purpose of determining the value of assets owned by the Fund;
- taxation services related to development of a new product for the Fund where fees are success based; and
- bookkeeping or other services related to accounting records or financial statements of the Fund.

In accordance with the Audit & Compliance Committee Charter, the Committee reviews the performance and value of the external auditor's services at least once every three years and re-tenders the external audit contract no less than every five years. In making its recommendation to the Board for the appointment of an external auditor of the Fund, the Committee calls for tenders from suitably qualified firms of auditors and in assessing the tenders, the Committee may interview the firms and seek additional information in support of the tender. The Committee ensures that the lead external audit partner does not perform more than five consecutive years' audits.

## 2.3 Internal auditor

HFML has appointed Ernst & Young as internal auditor to audit the Compliance Plan of the Fund and all other schemes of which it is Responsible Entity. In addition, Westpac Group Assurance undertakes regular audits of the Hastings Group's operations.

## 3 Ethical and responsible decision-making

### 3.1 Code of Conduct

The Hastings Group is committed to high standards of ethical conduct and has adopted a Code of Conduct setting out acceptable standards of behaviour that we believe will maintain confidence in the Hastings Group's integrity. The Code of Conduct is designed to promote ethical and responsible decision-making and to take into account the Hastings Group's legal obligations. This Code applies without exception to all directors, executives, management and employees; it is everyone's responsibility to abide by the Code and report breaches. The Code is aligned with the Hastings Group's core values.

The Code sets out seven foundation principles that govern our conduct and the behaviours that stakeholders can expect from us, namely:

- act with honesty and integrity;
- respect the law and act accordingly;
- respect confidentiality and do not misuse information;
- value and maintain professionalism;
- act as a team;
- manage conflicts of interest responsibly; and
- strive to be a good corporate citizen and achieve community respect.

A copy of the Code of Conduct is available at [www.hastingsinfra.com](http://www.hastingsinfra.com)

### 3.2 Conflicts of interest

The directors disclose any actual or potential conflicts of interest and abstain from participating in any discussion or voting on any matter in which they have a material personal interest, except with the prior approval of the Board. Directors also inform the Chairman of any proposed board or executive appointments they are considering to determine whether there is any actual or perceived conflict with the director's duties to the Fund or HFML.

All related party transactions or potential conflicts of interest involving any director or any related parties of either the directors or HFML, such as Westpac, are disclosed. Further, Hastings establishes transaction-specific conflict management protocols, which create information barriers and other arrangements to manage conflicts throughout Hastings, including the Board, in the event they arise. These conflict management protocols are implemented when appropriate and monitored regularly. The Board approves any HFML transaction-specific conflict management protocols.

## 3.3 Trading policy

The Board has adopted a policy on trading in securities issued by HFML's funds to ensure compliance with the ASX Listing Rules. The policy specifies the periods during which directors of HFML and employees of the Hastings Group can purchase and sell units in the Fund and the authorisation procedure. A copy of the trading policy is available at [www.hastingsinfra.com](http://www.hastingsinfra.com)

## 4 Market disclosure

The Board has adopted a Continuous Disclosure Policy designed to ensure accountability and compliance with the Fund's continuous disclosure obligations set out in the ASX Listing Rules and the Corporations Act. A copy of the Continuous Disclosure Policy is available at [www.hastingsinfra.com](http://www.hastingsinfra.com). As part of the policy, all employees at Hastings respond to a regular email from the Company Secretary confirming whether they are aware of any matters that should be considered for continuous disclosure. The Company Secretary has responsibility for reviewing these responses and determining what action (if any) is taken, and where appropriate, will liaise with the Chief Operating Officer, the Chief Executive Officer, the Chairman or the Board prior to making any disclosure to the ASX.

## 5 Unitholder communication

The Board is committed to communicating effectively with unitholders to ensure that they are kept fully apprised of all information necessary to assess the performance of the Fund. Information is communicated via:

- (a) ASX announcements;
- (b) any general meetings;
- (c) the Annual Report;
- (d) HFML's website at [www.hastingsinfra.com](http://www.hastingsinfra.com); and
- (e) direct communication with unitholders via mail and email.

Investors are given the option to receive Fund information in print or electronic format. In addition, HFML's contact details are available on the internet site should any further information be required.

## 6 Risk management

The Board of HFML is responsible for reviewing and approving the Fund's overall risk management strategy. The Board has delegated to the Audit & Compliance Committee responsibility for ensuring that a risk management framework is in place with regular reporting to the Board. The Audit & Compliance Committee monitors and reviews the risk and compliance processes in place for the identification, management and reporting of business and financial risk.

The Hastings Group implements a risk assessment process to identify and manage its material business risks and document how it manages and mitigates those risks. Management has developed and implemented a risk assessment plan for the Fund and separately for the Hastings Group. The risk assessment plans are reviewed annually by the Audit & Compliance Committee and adopted by the Board of HFML. In addition, each year management prepares and provides a representation letter to the Board. This representation letter addresses the Fund's compliance, legal and accounting requirements; risks (both financial and business); the nature, extent and effectiveness of risk management processes, internal compliance, accounting and internal control systems; and corporate conduct generally. Another important risk management process is the vetting of all new investment proposals by an investment committee comprised of senior executive managers.

HFML has adopted a range of risk policies to address both compliance and operational risks. Key risk management policies include:

- Conflicts of Interest Policy
- Code of Conduct
- Complaints Policy
- Continuous Disclosure Policy
- Outsourcing Policy
- Trading Policy
- Whistleblower Protection Policy.

Copies of some of the key risk management policies above are available on the website at [www.hastingsinfra.com](http://www.hastingsinfra.com). The Hastings Group believes that a risk management framework should pervade the Hastings Group's culture and be embedded in its values and behaviours. HFML has an overarching risk management framework that formalises the Hastings Group's approach to risk oversight and management of material business risks.



# Corporate Governance Statement

## CEO and CFO assurance

The Chief Executive Officer and Chief Financial Officer annually certify to the Board, and have certified to the Board during the Fund’s financial year, that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

## 7 Remuneration

Details of amounts paid to HFML as Responsible Entity of the Fund are disclosed in the related party note contained in the financial statements. HFML is paid a management fee in accordance with the terms of the Fund’s Trust Deed. HFML is also entitled to a Responsible Entity incentive fee that is calculated in accordance with the Trust Deed. Details are set out in the notes to the financial statements. Neither employees of the Hastings Group nor HFML’s directors are remunerated out of the property of the Fund.

## 8 Diversity

Hastings recognises the value of individual differences and of appropriately managing them in the workplace. Diversity in this context covers gender, age, ethnicity, cultural background, sexual orientation and religious beliefs.

Hastings recognises that diversity in the workplace provides a range of perspectives, knowledge and leadership styles, which will enhance the way we conduct business and assist us to achieve our corporate objectives.

Hastings has in place a Diversity Policy, which sets out our diversity initiatives and measurable objectives for achieving gender diversity, consistent with the requirements of the ASX Corporate Governance Principles.

Hastings is required to assess annually the progress in achieving measurable objectives for gender diversity. The following is a summary of how Hastings has met the measurable objectives.

## Proportion of female representation

As at 30 June 2014, the proportion of women employed by Hastings was follows:

- Board of Directors, HFML - (0 woman) 0 percent.
- Senior executive positions - (7 women) 22 percent.
- Total Hastings workforce - (37 women) 37 percent.

## Recruitment practices

Hastings undertakes a recruitment process whereby any recruitment panel has male and female representatives to choose suitable candidates for senior roles within the organisation. In undergoing its recruitment process, Hastings also promotes the need to include diversity in age and cultural background of candidates.

Hastings is committed to supporting gender diversity by attracting appropriately qualified and skilled women through promoting workplace flexibility, which will assist in retaining women, in particular, over time.

Gender diversity is a focus for Hastings at different levels of the business. Decisions for external hiring, internal appointment and promotion, as well as leadership development, are based on merit. A focus on gender diversity in this context is one element of ensuring we attract, retain and reward the best talent and will reinforce the importance Hastings attaches to the value of workplace diversity.

## Parental leave

Hastings offers up to two years’ parental leave to the primary-carer, including 24 weeks of paid leave (13 weeks during the maternity leave period, and 11 weeks paid as a lump sum after the individual has been returned to work for a period of three months, the amount of which is paid in accordance with the hours the employee is working upon returning) and up to 40 weeks of employer super contributions. At the conclusion of the parental leave, and following three months’ return to work, an additional sum, equivalent to 11 weeks of the employee’s return hours, is paid to the employee as a retention payment. In the past 24 months, seven staff members have taken up parental leave. Our Parental Leave Policy, together with our flexible work practices, has meant that all staff who took parental leave returned to work following their leave.

## Development of intranet staff communication site

Hastings has created a workplace culture that is supportive of gender diversity. An intranet staff communication forum has been developed where all members of the organisation are provided with a safe and unbiased forum to raise a variety of perspectives, opinions and insights regarding diversity. This forum can be used to contribute ideas, discuss policies and share experiences of diversity within the workplace.

## Enhanced training and professional development for staff

Hastings facilitates an enhanced training and professional development program. The Learning and Development Policy allows the business to provide customised development based on an individual’s development plan. We will measure the numbers of men/women undertaking professional development courses and remove gender bias if it occurs.

Hastings encouraged participation by its female staff in the following female-specific leadership and mentoring programs:

- Behind Closed Doors;
- Participation in Women in Banking and Finance forum; and
- Attendance at workshops and seminars to network and obtain leadership skills. These include Unconscious Bias Workshops, Women’s Leadership Forums, Women with Ambition networking events and Behind Closed Doors networking events.

## Flexible work arrangements

Hastings enables the use of flexible working arrangements in relation to when, where and how work is delivered. Hastings adopts a wide range of flexible working practices that support employees to manage their work and home responsibilities and achieve an appropriate work life balance.

Hastings has introduced flexible start and finish times; part-time work arrangements; and work-from-home arrangements. Currently flexible work arrangements have been implemented for nine staff.

## Pay equity

Hastings achieves its objectives for pay equity for like roles across the organisation.

A review of the Fixed and Total Remuneration against relative markets in countries Hastings has employees revealed no systemic gender bias.

# 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)

James Evans

Andrew Day - Retired 21 September 2013

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.

# Directors’ Report

## 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:

Amounts paid or payable excluding GST, to PricewaterhouseCoopers, for:	2014 \$	2013 \$
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.

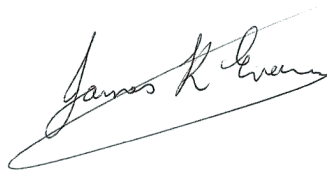
## Rounding of amounts to the nearest thousand dollars

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



## 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

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
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## Consolidated Statement of Comprehensive Income

	Notes	2014 \$'000	2013 \$'000
<b>Income</b>			
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
<b>Total income</b>		<b>2,962</b>	<b>3,470</b>
<b>Expenses</b>			
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
<b>Total expenses</b>		<b>675</b>	<b>1,105</b>
<b>Operating profit/(loss) before income tax and finance costs attributable to unitholders</b>		<b>2,287</b>	<b>2,365</b>
Income tax expense/(benefit)	10	(79)	24
<b>Operating profit/(loss) after income tax and before finance costs attributable to unitholders</b>		<b>2,366</b>	<b>2,341</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	11	(3,700)	(99,308)
<b>(Increase)/decrease in net assets attributable to unitholders</b>		<b>1,334</b>	<b>96,967</b>
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>			
Movement in foreign currency translation reserve	17(c)	28	(40)
<b>Total other comprehensive income</b>		<b>28</b>	<b>(40)</b>
<b>Other comprehensive income/(loss) attributable to unitholders</b>		<b>(28)</b>	<b>40</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

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
<b>Assets</b>			
Cash and cash equivalents	12(b)	9,790	32,113
Receivables	13	380	438
Securities	14	39,539	37,246
<b>Total assets</b>		<b>49,709</b>	<b>69,797</b>
<b>Liabilities</b>			
Payables	15	152	18,855
Current tax liabilities	16	1	80
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>153</b>	<b>18,935</b>
<b>Net assets attributable to unitholders - (liability)</b>		<b>49,556</b>	<b>50,862</b>
<b>Represented by:</b>			
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)
<b>Total unitholders' interests</b>		<b>49,556</b>	<b>50,862</b>

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.

## Consolidated Statement of Cash Flows

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Interest received		2,226	6,979
Operating expenses paid		(685)	(1,338)
Income tax paid/(refunded)		(7)	2
<b>Net cash inflow/(outflow) from operating activities</b>	<b>12(a)</b>	<b>1,534</b>	<b>5,643</b>
<b>Cash flows from investing activities</b>			
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)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,863)</b>	<b>47,371</b>
<b>Cash flows from financing activities</b>			
Payment for buy-back of issued units		-	(505)
Payment for buy-back issue costs		-	(12)
Distributions paid		(22,356)	(84,535)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(22,356)</b>	<b>(85,052)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(22,685)</b>	<b>(32,038)</b>
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
<b>Cash and cash equivalents at the end of the year</b>	<b>12(b)</b>	<b>9,790</b>	<b>32,113</b>

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

## Notes to the Consolidated Financial Statements

### 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.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

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.

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:

#### (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.

### (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.



# Notes to the Consolidated Financial Statements

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

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.

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.

(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.

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.

# Notes to the Consolidated Financial Statements

## (i) Securities (continued)

### 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.

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.

### 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.

# Notes to the Consolidated Financial Statements

## (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.

## (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.

## (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.



## Notes to the Consolidated Financial Statements

3 Interest income	2014 \$'000	2013 \$'000
Cash and cash equivalents	307	1,342
Unlisted securities	1,907	4,513
Derivative securities	493	1,274
<b>Total interest income</b>	<b>2,707</b>	<b>7,129</b>

4 Net gain/(loss) - cash and cash equivalents	2014 \$'000	2013 \$'000
Net gain/(loss) - unrealised	303	309
<b>Total net gain/(loss) - cash and cash equivalents</b>	<b>303</b>	<b>309</b>

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

6 Net gain/(loss) - other	2014 \$'000	2013 \$'000
Net gain/(loss) - unrealised	-	29
Net gain/(loss) - realised	5	(8)
<b>Total net gain/(loss) - other</b>	<b>5</b>	<b>21</b>

7 Responsible Entity management fees	2014 \$'000	2013 \$'000
Responsible Entity management fees	274	657
<b>Total Responsible Entity management fees</b>	<b>274</b>	<b>657</b>

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 \$'000	2013 \$'000
Responsible Entity performance fees	-	-
<b>Total Responsible Entity performance fees</b>	<b>-</b>	<b>-</b>

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	2014 \$	2013 \$
During the year the following fees were paid or payable for services provided by the auditor of the Group:		
<b>(a) Audit services</b>		
Amounts paid or payable including non-recoverable GST, to PricewaterhouseCoopers, 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
<b>Total audit services fees</b>	<b>72,116</b>	<b>66,326</b>
<b>(b) Non-audit services</b>		
Amounts paid or payable including non-recoverable GST, to PricewaterhouseCoopers, for:		
Agreed upon procedures - annual report	3,511	3,392
<b>Total non-audit service fees</b>	<b>3,511</b>	<b>3,392</b>

## Notes to the Consolidated Financial Statements

10 Income tax expense/(benefit)	2014 \$'000	2013 \$'000
<b>(a) Income tax expense/(benefit)</b>		
Current income tax expense/(benefit)	(79)	24
<b>Total current income tax expense/(benefit)</b>	<b>(79)</b>	<b>24</b>
<b>(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable</b>		
<b>Profit before income tax</b>	<b>2,287</b>	<b>2,365</b>
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)	-
<b>Derecognition of prior year temporary difference</b>	<b>1</b>	<b>-</b>
<b>Total current income tax expense/(benefit)</b>	<b>(79)</b>	<b>24</b>

11 Distributions to unitholders	2014 \$'000	2013 \$'000
Distributions declared and paid	3,700	80,652
Distributions declared and payable	-	18,656
<b>Total distributions to unitholders</b>	<b>3,700</b>	<b>99,308</b>

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	2014 \$'000	2013 \$'000
<b>(a) Reconciliation of operating profit/(loss) before finance costs attributable to unitholders to net cash inflow/(outflow) from operating activities</b>		
Operating profit/(loss) before finance costs attributable to unitholders	2,366	2,341
<b>Adjustments for non-cash and non-operating items</b>		
Net (gain)/loss - cash and cash equivalents	(303)	(309)
Net (gain)/loss - securities	53	3,989
Net gain/(loss) - other	(5)	(21)
<b>Change in operating related assets and liabilities</b>		
(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)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,534</b>	<b>5,643</b>
<b>(b) Components of cash and cash equivalents</b>		
Cash at bank	9,790	30,089
Short term deposits	-	2,024
<b>Total cash and cash equivalents</b>	<b>9,790</b>	<b>32,113</b>
<b>(c) Significant non-cash financing and investing activities</b>		
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
<b>Total receivables</b>	<b>380</b>	<b>438</b>

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

## Notes to the Consolidated Financial Statements

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

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
<b>Total payables</b>	<b>152</b>	<b>18,855</b>

16 Current tax liabilities	2014 \$'000	2013 \$'000
Current tax liabilities	1	80
<b>Total current tax liabilities</b>	<b>1</b>	<b>80</b>

17 Net assets attributable to unitholders	2014 No.'000	2013 No.'000	2014 \$'000	2013 \$'000
Movements in the number of units and net assets attributable to unitholders during the year were as follows:				
<b>(a) Issued Units</b>				
Opening balance	103,070	103,470	200,702	201,219
On market unit buy-backs	-	(400)	-	(505)
Buy-back transaction costs	-	-	-	(12)
<b>Closing balance</b>	<b>103,070</b>	<b>103,070</b>	<b>200,702</b>	<b>200,702</b>

### (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.



## Notes to the Consolidated Financial Statements

17 Net assets attributable to unitholders (continued)	2014 \$'000	2013 \$'000
<b>(c) Foreign currency translation reserve</b>		
Opening balance	40	80
Movement for the year	28	(40)
<b>Closing balance</b>	<b>68</b>	<b>40</b>
<b>(d) Undistributed profit/(loss) attributable to unitholders</b>		
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)
<b>Closing balance</b>	<b>(151,214)</b>	<b>(149,880)</b>

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 2011	30 Sep 2013	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 2013	7 Jul 2014	USD	20,000	n/a	21,229	n/a	USD-LIBOR -BBA + 4.25%	AUD-BBR -BBSW + 4.315%	(3)	n/a
											<b>(3)</b>	<b>(2,484)</b>

### 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	Counter party	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 2013	06 Dec 2013	GBP	12,363	0.6320	7,814	n/a	(657)
								<b>n/a</b>	<b>(657)</b>

# Notes to the Consolidated Financial Statements

## 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
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Derivative securities	-	(3)	-	(3)
Unlisted equity securities	-	-	3,941	3,941
<b>Total</b>	<b>-</b>	<b>(3)</b>	<b>3,941</b>	<b>3,938</b>

2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Derivative securities	-	(3,141)	-	(3,141)
Unlisted equity securities	-	-	4,766	4,766
<b>Total</b>	<b>-</b>	<b>(3,141)</b>	<b>4,766</b>	<b>1,625</b>

# Notes to the Consolidated Financial Statements

## 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	
	-

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

## 19 Fair value measurements (continued)

### (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.



# Notes to the Consolidated Financial Statements

## 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).

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.

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
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
Payables	-	-	32	-	-	-
Derivative securities - principal payable	-	-	-	21,660	21,288	21,660
Derivative securities - interest payable	-	-	-	-	-	5
	-	-	32	21,665	21,288	21,665
<b>Net exposure</b>	2	2	16,693	880	287	292

# Notes to the Consolidated Financial Statements

## 20 Financial risk management (continued)

### (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
<b>Derivative securities</b>				
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.

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

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

# Notes to the Consolidated Financial Statements

## 21 Related party transactions (continued)

### 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
	<b>4,752,984</b>	<b>716,545</b>	<b>(1,118,248)</b>	<b>4,351,281</b>	<b>4.222</b>

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
	<b>4,629,524</b>	<b>1,501,249</b>	<b>(1,377,630)</b>	<b>4,752,984</b>	<b>4.611</b>

### 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.



# Notes to the Consolidated Financial Statements

## 22 Parent entity financial information

### (a) Summary financial information

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

# Notes to the Consolidated Financial Statements

## 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

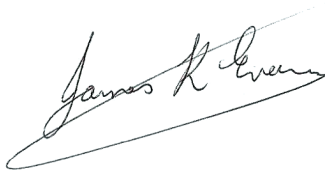
In the opinion of the directors of the Responsible Entity:

- (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 Evans  
DIRECTOR

28 August 2014

# Auditor’s Independence Declaration



## 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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# Auditor’s Independence Declaration



### 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*

*Elisabeth O'Brien*  
Partner

Melbourne  
28 August 2014

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)  
Liability limited by a scheme approved under Professional Standards Legislation.



# Investor Details

The unitholder information set out below was applicable as at 15 August 2014.

- 1. The voting rights are one vote per unit.
- 2. The number of unitholders holding less than a marketable parcel of units at (\$0.1650 per unit) was 305.
- 3. The percentage of the total holdings held by or on behalf of the 20 largest holders of these securities was 28.17 percent.

Twenty largest holders of units	Number held	% of total
Questor Financial Services Limited	4,712,997	4.57
Australian Executor Trustee Limited	3,562,990	3.46
Mr Donald Gordon Mackenzie + Mrs Gwenneth Edna Mackenzie	3,490,000	3.39
Log Creek Pty Ltd	2,334,243	2.26
Mr Neil Douglas Hopkins + Mr John Richard Armstrong	1,750,000	1.70
Excalibur Trading Pty Ltd	1,571,198	1.52
DRK Pty Ltd	1,463,000	1.42
Forsyth Barr Custodians Ltd	1,159,933	1.13
HSBC Custody Nominees (Australia) Limited - A/C 2	1,118,489	1.09
Jenzen Investments Pty Ltd	1,100,000	1.07
Mr Christopher Charles Indermaur + Mrs Rena Elizabeth Indermaur	923,139	0.90
Australian Executor Trustees Limited	762,129	0.74
HSBC Custody Nominees (Australia) Limited	733,662	0.71
Mr Simon Robert Evans + Mrs Kathryn Margaret Evans	700,000	0.68
Mr Peter Andrew Jenzen + Mrs Berendina Hermina Jenzen	700,000	0.68
Dylide Pty Ltd	680,000	0.66
Mr David Harry Gelb + Mrs Renata Patricia Gelb	600,000	0.58
Mr Frank Myszka	591,154	0.57
Mr Boris Pogos + Mrs Margot Pogos	550,168	0.53
McNeil Nominees Pty Ltd	535,826	0.52
Totals: Top 20 holders of Ordinary Fully Paid Units (total)	29,038,928	28.17
Total Remaining Holders Balance	74,031,441	71.83
Total	103,070,369	100

4. The distribution of unitholders was as follows:

Holding	Number of holders	% of total	Securities	% of total
1-1,000	123	4.72	45,066	0.04
1,001-5,000	392	14.04	1,294,746	1.26
5,001-10,000	484	19.25	3,878,001	3.76
10,001-100,000	1,512	57.89	46,964,921	45.57
100,001 and over	130	4.10	50,887,635	49.37
Total	2,641	100.00	103,070,369	100.00

5.Substantial holder notices have been received as at 15 August 2014 as follows:

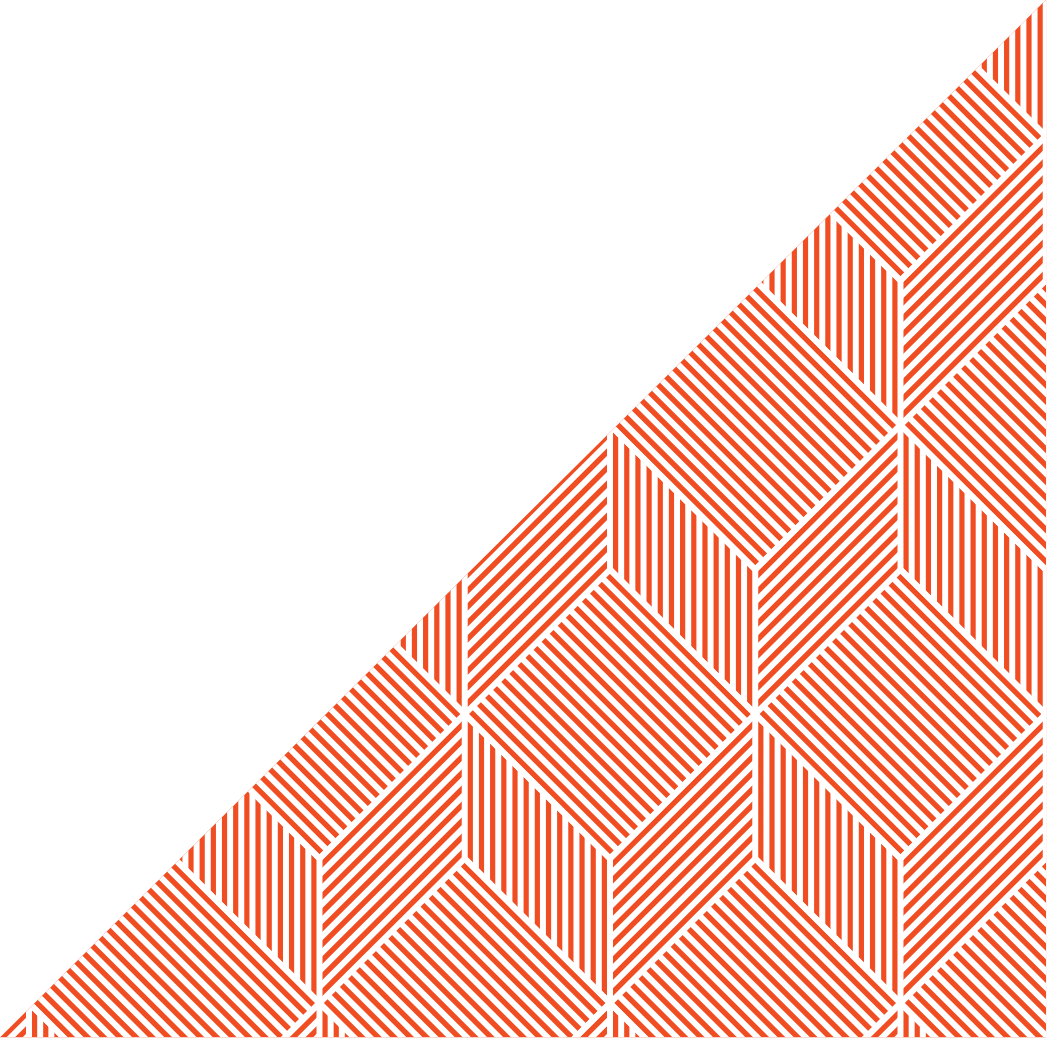
Please note that there have been no substantial holder notices received as of 15 August 2014.

6.The Fund is a listed investment entity.

(a) A list of all its investments is detailed in both Note 14 and Note 16 to the consolidated financial statements.

(b) Hastings received management fees of \$273,841 from the Fund for the period ended 30 June 2014 (2013: \$656,654).

No Responsible Entity performance fees were payable at 30 June 2014 (2013: nil).



# Investor Information

## Enquiries

You can access your unitholder information in a number of ways. The details are managed by the Fund’s registrar, Computershare Investor Services Pty Limited, and can be accessed as detailed below.

Please note, your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) is required for access.

## InvestorPhone

InvestorPhone provides telephone access 24 hours a day, seven days a week.

Step 1 Call 1300 131 164

Step 2 Enter your SRN or HIN

Step 3 Follow the prompts to gain secure immediate access to your:

- holding details
- registration details
- payment information.

## Internet account access

Details of individual shareholdings can be checked or amended by visiting [www.computershare.com.au/investors](http://www.computershare.com.au/investors)

For security reasons, you are required to key in your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) plus company name or ASX code and your postcode, choose a User ID and password, enter the Security code (shown in the box) and agree to the Terms and Conditions to enable access to personal information.

Please address enquiries to:  
Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne VIC 3001 Australia

Telephone (within Australia) 1300 131 164  
Telephone (outside Australia) +61 3 9415 4243

Website [www.computershare.com.au](http://www.computershare.com.au)  
Email [www.investorcentre.com/contact](mailto:www.investorcentre.com/contact)

## Australian Securities Exchange listing

The units are listed on the Australian Securities Exchange under the name Hastings High Yield Fund and under the code HHY. The units participate in the Clearing House Electronic Subregister System (CHESS). For a current trading price, you can refer to the ASX website ([www.asx.com.au](http://www.asx.com.au)).

## Direct deposit of distributions

Distribution payments may be paid directly to a nominated Australian bank account. Payments are electronically credited and confirmed by mail directly to the registered address of the unitholders. A form for this purpose is available from the Registrar.

## Tax File Number (TFN) or Australian Business Number (ABN) information

Whilst it is not compulsory for unitholders to provide a TFN, ABN or exemption notification, Hastings is normally obliged to withhold tax from any payments to Australian resident unitholders who have not supplied such information. The rate at which the tax is withheld is generally 46.5 percent, which represents the current highest personal marginal tax rate (plus Medicare levy). Any amount withheld is remitted to the Australian Taxation Office and unitholders may be able to claim a credit or refund for it by including it in their income tax return. This type of withholding generally does not affect a non-resident unitholder.

Unitholders are entitled to quote an ABN instead of a TFN where the investment is made in the course or furtherance of an enterprise that is carried on by the unitholder. Unitholders who have not supplied their TFN, ABN or exemption notification may do so by either going online to [www.computershare.com.au/investors](http://www.computershare.com.au/investors) or writing to:

The Registrar  
Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne VIC 3001 Australia

## Change of address

Unitholders who change their registered address should immediately notify our Share Registry either online at [www.computershare.com.au/investors](http://www.computershare.com.au/investors) or in writing to:

The Registrar  
Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne VIC 3001 Australia

Address changes for CHESS or broker sponsored holdings must be done through your sponsoring broker.

## Privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. The Fund adopted the privacy policy of Hastings Funds Management Limited, which is located on the Hastings website ([www.hastingsinfra.com](http://www.hastingsinfra.com)). You can contact us or our Privacy Officer at [privacy@hastingsinfra.com](mailto:privacy@hastingsinfra.com)

## Annual Report

To receive further copies of the HHY Annual Report, please go to [www.computershare.com.au/investors](http://www.computershare.com.au/investors) or telephone Computershare Investor Services on 1300 131 164 (within Australia) or +61 3 9415 4243 (outside Australia).

## Complaints handling

You can lodge a complaint online at [www.investorcentre.com/contact](http://www.investorcentre.com/contact) or by contacting one of the customer service representatives who are available between 8.30 am and 6.00 pm (AEST) weekdays, from anywhere in Australia, by calling the Registrar on 1300 131 164 (within Australia) or on +61 3 9415 4243 (outside of Australia).

If you have a concern, please write to Hastings at the address set out below or call the Complaints Manager to register your complaint by telephone on +61 3 8650 3600. Hastings will acknowledge your concern, investigate it and report back to you.

## Complaints Manager

Hastings Funds Management Limited  
Level 27  
35 Collins Street  
Melbourne VIC 3000 Australia

If you are dissatisfied with Hastings’ response, you may raise the matter directly with the Financial Ombudsman Service (FOS). Its contact details are:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001 Australia

Telephone (within Australia) 1300 780 808  
Telephone (outside Australia) +61 3 9613 7366

Before you contact FOS, first try to resolve your concern with Hastings by calling +61 3 8650 3600.

# Corporate Directory

## Responsible Entity

Hastings Funds Management Limited  
ABN 27 058 693 388  
Holder of Australian Financial Services  
Licence No. 238309

## Registered Office

Level 27  
35 Collins Street  
Melbourne VIC 3000 Australia  
  
Telephone +61 3 8650 3600  
Facsimile +61 3 8650 3701  
  
Email investor\_relations@hastingsinfra.com  
Website www.hastingsinfra.com

## Other Offices

### Sydney

Level 10  
55 Market Street  
Sydney NSW 2000 Australia  
  
Telephone +61 2 9287 8700  
Facsimile +61 2 9287 8801

### London

2nd Floor  
50 St Mary Axe  
London EC3A 8FR  
United Kingdom  
  
Telephone +44 20 7337 6720  
Facsimile +44 20 7929 2502

## New York

39th Floor  
575 Fifth Avenue  
New York NY 10017-24  
United States of America  
  
Telephone +1 212 681 2524

## Singapore

12 Marina View  
#26-02, Asia Square Tower 2  
Singapore 018961

## Hastings Board of Directors

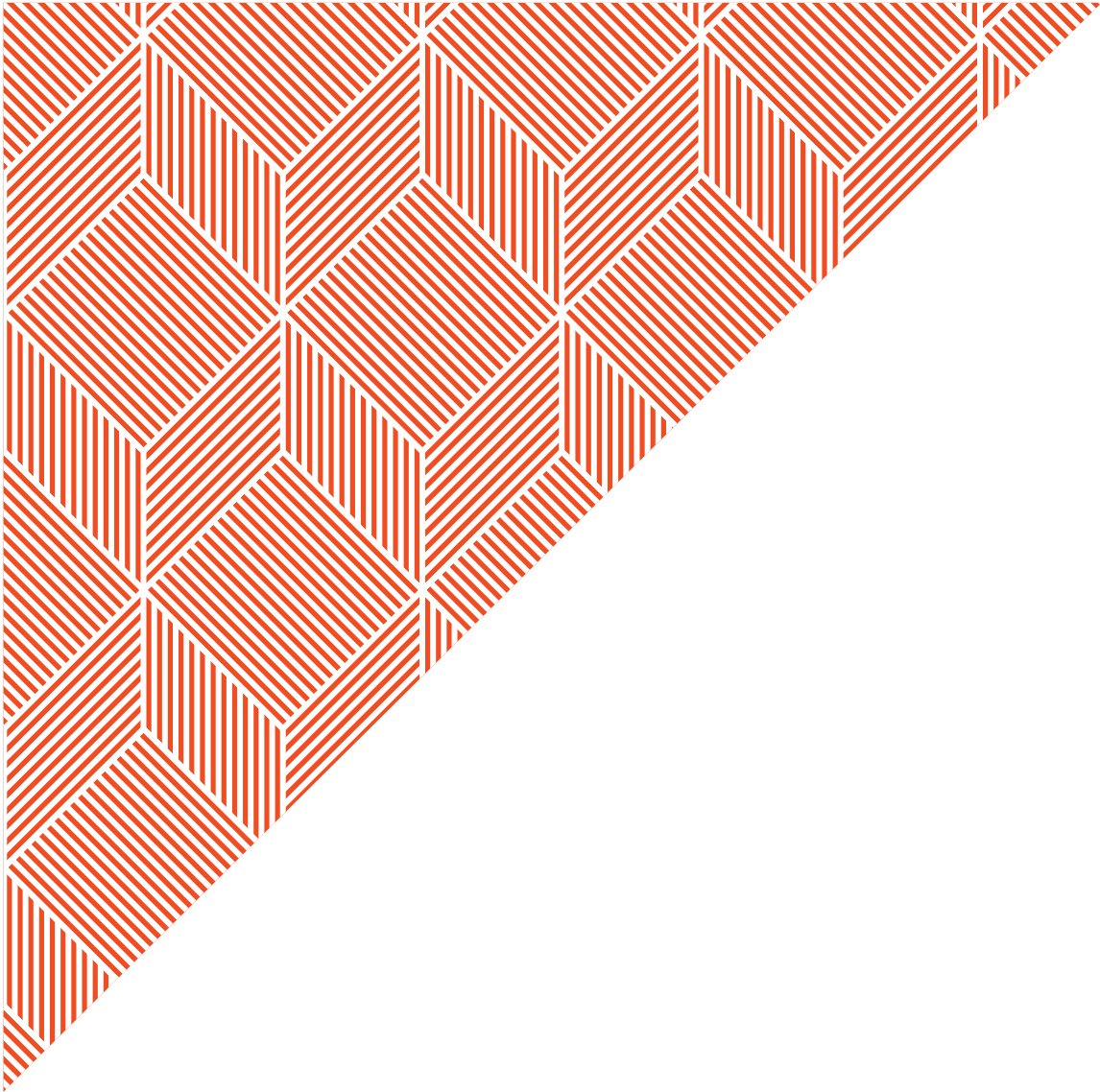
Alan Cameron AO, Chairman  
  
James Evans  
Tony Masciantonio

## Company Secretaries

Jane Frawley  
Jefferson Petch

## Security Register

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067 Australia  
  
Telephone (within Australia) 1300 132 288  
Telephone (outside Australia) +61 3 9415 5000  
  
Facsimile +61 3 9473 2500  
Website www.computershare.com



Disclaimer This report has been prepared by Hastings Funds Management Limited (ABN 27 058 693 388), holder of Australian Financial Services Licence number 238309, as responsible entity for the Fund. Hastings is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 (Westpac).

The information contained in this report is for informational purposes only and does not constitute an offer to issue or arrange to issue financial products. The information contained in this report is not financial product advice. This report has been prepared without taking into account the investment objectives, financial situation or needs of any particular person. Before making an investment decision, you should read the publicly available information carefully and consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. Past performance is no guarantee of future performance.

None of Hastings, Westpac or any other member of the Westpac Group gives any guarantee or assurance as to the performance of the Fund or the repayment of

capital. Investments in the Fund are not investments, deposits or other liabilities of Hastings, Westpac or other members of the Westpac Group. Members of the Westpac Group may invest in or lend or provide other services to the Fund and may be paid fees and expenses in relation to Hastings’ role as responsible entity.

All data in this report has been calculated using the most accurate sources available and is in Australian dollars unless otherwise stated, however any rates or totals manually calculated may differ from those provided due to rounding. Financial results from each asset for the financial year ended 30 June 2014 reflect the most current information available and may be unaudited, and therefore subject to further adjustment following the publication of this report. Figures may also differ from those previously disclosed due to adjustments made following year end.

[www.hastingsinfra.com](http://www.hastingsinfra.com)



Hastings Funds Management is a subsidiary of the Westpac Banking Corporation. Hastings is a specialist manager of infrastructure equity and debt investments. As at 30 June 2014 Hastings has approximately \$9.2 billion in funds under management (includes invested capital at market valuation and committed but not invested capital).

