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Results announcement

Hastings High Yield Fund (HHY)

Total pages: 33

26 February 2009

Appendix 4D – Report for the half-year ended 31 December 2008

Please find enclosed the following documents:

A. Results for announcement to the market
B. Commentary on the results
C. Financial report for the half year ended 31 December 2008
D. Independent auditor's review report

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Claire Filson
Company Secretary
Hastings Funds Management Limited

A. Results for announcement to the market

	Change from previous corresponding period	**Half year to 31 December 2008 ($'000)**	Half year to 31 December 2007 ($'000)
Revenues from ordinary activities [(1)]	Down 4 %	11,296	11,805
Revenues from ordinary activities [(2)]	Up 30 %	15,309	11,805
Profit from ordinary activities after tax attributable to unitholders	Down 1 %	7,726	7,775
Net profit for the period attributable to unitholders [(1)]	Down 1 %	7,726	7,775
Net profit for the period attributable to unitholders [(2)]	Up 51 %	11,739	7,775
Net cashflows from operating activities	Up 24 %	12,373	9,945

[(1)] Including fair value adjustments applied to valuation margins.

[(2)] Excluding fair value adjustments applied to valuation margins.

Refer to Section B for commentary on the results.

	Half year to 31 December 2008 (cents per unit)	Half year to 31 December 2007 (cents per unit)
September quarter cash distribution	**4.80**	4.40
Record date to determine entitlements to distribution	30 September 2008	28 September 2007
Payment date for distribution	11 November 2008	28 November 2007
Price of units issued under HHY's distribution reinvestment plan [(1)] (DRP)	1.2442	1.9311
December quarter cash distribution	**4.80**	4.40
Record date to determine entitlements to distribution	31 December 2008	31 December 2007
Payment date for distribution	9 February 2009	8 February 2008
Price of units issued under HHY's DRP [(1)]	n/a	1.8330
Total cash distributions for the half year [(2)]	**9.60**	8.80

[(1)] The DRP issue price applied to the distributions paid to HHY unitholders who were registered as participants in the DRP at the record date. From the September 2006 quarter DRP until the September 2008 quarter DRP, a 2.5 percent discount applied to the reinvestment price. For the December 2008 quarter the DRP was suspended until further notice.

[(2)] In addition to cash distributions, units in HHY generate tax credits which are distributed at the end of the financial year.

	31 December 2008	31 December 2007
Net tangible asset backing (including fair value adjustments applied to valuation margins)	1.84	$1.85
Net tangible asset backing (excluding fair value adjustments applied to valuation margins)	1.87	$1.85
Closing unit price	$0.985	$1.885

Given the overall credit market volatility fair value adjustments have been applied to the valuation margins of HHY's high yield securities. This has resulted in unrealised asset losses of $4,013,000 in asset values and a corresponding reduction in accounting profit attributable to unitholders. It is possible that further fair value adjustments may be required in future periods. Nonetheless, given HHY's strategy of generally holding high yield securities until repayment or redemption, any unrealised losses due to fair value accounting requirements are expected to be reversed over time, provided that the credit quality of the specific securities held by HHY is maintained.
Fair value adjustments to the valuation margins of HHY's investments in high yield securities do not impact either HHY's cash or taxable income position. As a consequence, it has not impacted HHY's distributions. Please refer to Note 1 of HHY's financial report for the half year ended 31 December 2008 for more information on HHY's valuation policy.

B. Commentary on the results

Overview

Hastings High Yield Fund (HHY), as the parent entity, reported net profit attributable to unitholders of $7,726,000 for the half year ended 31 December 2008. The result represents earnings attributable to unitholders of 7.03[(1)] cents per unit.

Had no fair value adjustments been applied to the valuation margins of HHY's high yield securities, the net profit attributable to unitholders for the half year ended 31 December 2008 would have been $11,739,000. This result would represent earnings attributable to unitholders of 10.68[(2)] cents per unit.

Key events

Key events since 1 July 2008 include:

- Investment portfolio:
  - investment portfolio of 14 high yield securities maintained; and
  - all investments continue to receive interest and dividend income as anticipated.
- Capital management initiatives:
  - DRP suspended until further notice;
  - limit on new investments given unit price is trading at a significant discount to NTA; and
  - any investment repayment proceeds and surplus cash to be used to reduce the debt facility and/or return capital to unitholders.
- HHY debt facility:
  - conservative net debt of $57.0 million, representing 20.2 percent of total assets;
  - debt facility matures in July 2009, discussions to refinance debt facility are progressing as planned; and
  - all financial covenants are comfortably being met. There are no minimum market capitalisation nor any margin call requirements.

Distributions

During the half year ended 31 December 2008 the Directors declared the following cash distributions:

- $5,288,000 for the quarter ended 30 September 2008, equating to 4.80 cents per unit, paid on 11 November 2008; and
- $5,300,000 for the quarter ended 31 December 2008, equating to 4.80 cents per unit, paid on 9 February 2009.

The cash distributions declared for the half year ended 31 December 2008 totalled 9.60 cents per unit.

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(1) Based on net profit attributable to unitholders of $7,726,000 and weighted average units on issue for the half year to 31 December 2008.

(2) Based on net profit attributable to unitholders (excluding fair value adjustments applied to valuation margins) of $11,739,000 and weighted average units on issue for the half year to 31 December 2008.

B. Commentary on the results continued

Distribution guidance for the quarter ending 31 March 2009

As previously announced to the market, distribution guidance for the quarter ending 31 March 2009 is 4.60 cents cash per unit.

Annual distribution guidance

Annual distribution guidance (inclusive of tax credits) for the year ending 30 June 2009 is at least 19.00 cents per unit. This represents a forecast annual yield of 19.3 percent based on HHY's closing price on 31 December 2008 and would deliver a margin of 16.2 percent above the current three month Australian bank bill rate.

Based on current interest rates, the annual distribution guidance (inclusive of tax credits) for the year ending 30 June 2010 is at least 16.50 cents per unit. This represents a forecast annual yield of 16.8 percent based on HHY's closing price on 31 December 2008 and would deliver a margin of 13.7 percent above the current three month Australian bank bill rate.

The level of distributions to unitholders are predominantly impacted by:

- the level of Australian bank bill interest rates. Approximately 85 percent of HHY's investment portfolio currently comprises of high yield debt securities which earn a fixed margin over floating Australian bank bill interest rates which reset at regular intervals. The Reserve Bank of Australia has lowered the target cash rate from 7.25 percent in September 2008 to 3.25 percent in February 2009. A further reduction of 1.0 percent from the current level of Australian bank bill interest rates would be expected to result in an annual distribution guidance reduction of between 1.5 and 2.0 cents per unit; and
- interest and dividend income generated by HHY's underlying portfolio of high yield debt securities. All investments continue to pay interest and dividend income as anticipated. HHY hedges all principal and interest obligations against movements in foreign currencies and foreign interest rates.

B. Commentary on the results continued

Investment portfolio

HHY's investment portfolio comprises high yield securities sourced from transactions associated with:

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

At 31 December 2008, HHY was invested in 14 high yield securities, the details of each investment are set out below:

Investment	Instrument	Fair value $'000
AB Ports	Junior Floating Rate Loan	12,208
Arqiva/NGW	Junior Floating Rate Loan	23,297
BAA	Toggle Facility	23,673
BBI NZ SPARCS	Subordinated Prime Adjusting Reset Convertible Securities	18,305
Cory Environmental	Junior Floating Rate Loan	15,811
DCA Group	Junior Floating Rate Loan	21,211
Eircom	Senior Term Loans	15,143
EnviroWaste	Junior Floating Rate Loan	17,373
European Directories	Second Lien Loan	14,772
Hyne Timber	High Yield Non-cumulative Exchangeable Securities	14,306
Maher Terminals	Junior Floating Rate Loan	18,927
Manildra Group	Reset Secured Notes	25,959
South East Water	Junior Floating Rate Loan	20,839
Thames Water	Junior Floating Rate Loan	23,590
Total		**265,414**

B. Commentary on the results continued

Sources of return

Returns to unitholders comprise periodic income in the form of interest and dividends, realised and unrealised gains and losses and fee income on investments. Net profit attributable to unitholders for the year ended 31 December 2008 was derived as follows:

Investment	Interest and dividends $'000	Realised & unrealised gains/(losses) [1] $'000	Fee income $'000	Total $'000
AB Ports	616	(305)	-	311
Arqiva/NGW	1,385	(202)	-	1,183
BAA	1,021	842	-	1,863
BBI NZ SPARCS	822	(850)	-	(28)
Cory Environmental	904	(565)	43	382
DCA Group	1,424	(429)	-	995
Eircom	969	(1,240)	-	(271)
EnviroWaste	1,148	(93)	-	1,055
European Directories	829	(865)	-	(36)
Hyne Timber [2]	492	1,043	-	1,535
Maher Terminals	1,193	(2,729)	-	(1,536)
Manildra Group [2]	1,457	1,841	-	3,298
South East Water	1,270	(350)	-	920
Thames Water	1,316	(119)	-	1,197
Security Revenue	**14,846**	**(4,021)**	**43**	**10,868**
Other	-	390	-	390
Cash	408	(370)	-	38
Total Revenue	**15,254**	**(4,001)**	**43**	**11,296**
Expenses [3]				(3,570)
Net Profit Attributable to unitholders				**7,726**

[1] Realised gains and losses on assets may occur due to timing on receiving interest income and foreign currency swaps. Unrealised gains and losses can occur due to asset or liability revaluations.

[2] Unrealised gains/(losses) reflect fair value movements of HHY's investments in fixed rate high yield securities based on Australian bank bill interest rates.

[3] Includes income tax expense.

Summary & Outlook

The half year ended 31 December 2008 was a period of unprecedented market volatility with investor sentiment often dominated by fear over fundamentals. The various forms of global monetary and fiscal stimulus packages coupled with the recapitalisation and government support of financial institutions are beginning to stabilise credit markets. Debt securities are considered to be attractively priced relative to other asset classes on a risk-adjusted basis although disciplined and cautious investment selection remains paramount. HHY's underlying investment portfolio is well positioned given all investments continue to receive interest and dividend income as anticipated as well as having no exposure to ASX listed hybrid securities or structured credit instruments. Interest rates globally have fallen significantly, including the Reserve Bank of Australia having lowered the target cash rate from 7.25 percent in September 2008 to 3.25 percent in February 2009. For investors chasing yield, HHY's distribution guidance of at least 19.0 cents per unit (inclusive of tax credits) for the year ending 30 June 2009 implies a yield of 19.3 percent based on the closing price on 31 December 2008.

C. Hastings High Yield Fund financial report for the half year ended 31 December 2008

Hastings High Yield Fund

ARSN 112 579 129

Interim report - for the half-year ended 31 December 2008

Directors' Report

The directors of Hastings Funds Management Limited, the Responsible Entity for the Hastings High Yield Fund ("the Scheme"), present their report together with the consolidated financial report of the Hastings High Yield Fund and its controlled entities (collectively, "the consolidated entity" or "the Group") for the half-year ended 31 December 2008.

Directors

The following persons held office as directors of Hastings Funds Management Limited during the half-year:

William Forde - Chairman
Steve Boulton - Director
Alan Freer - Director
Stephen Gibbs - Director (appointed 16 December 2008)
Mike Hutchinson - Director
Jim McDonald - Director
Sean McElduff - Director
Jim Tate - Director

All directors were in office from the beginning of the half-year until the date of this report unless otherwise stated.

Company Secretaries

The Company Secretaries of the Responsible Entity in office during the half-year and until the date of this report are Kim Rowe and Claire Filson.

Principal activities

The principal activity of the Group is to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement ("PDS") and in accordance with the provisions of the Constitution.

There were no significant changes in the nature of the consolidated entity's activities during the period.

Scheme information

The Scheme is an Australian registered scheme and is incorporated and domiciled in Australian. The registered office of the Responsible Entity is located at Level 15, 90 Collins Street, Melbourne, Victoria, 3000.

The consolidated entity did not have any employees during the period (31 December 2007 - NIL employees).

Review and results of operations

The Group has continued to invest funds in accordance with its investment objectives and guidelines as set out in the current PDS and in accordance with the provisions of the Scheme's Constitution.

The operating profit after tax and before finance costs attributable to unitholders of the Group for the half-year ended 31 December 2008 was $7,726,000 (2007 - $7,775,000).

Given the overall credit market volatility, fair value adjustments have been applied to the valuation margins of the Group's high yield securities. This has resulted in unrealised asset losses reducing operating profit after tax and before finance costs attributable to unitholders for the half-year ended 31 December 2008. Whilst further fair value adjustments may be required in future periods, given the Group's investment strategy of holding its high yield securities for the medium to long term, any unrealised asset losses are expected to reverse over time (assuming the credit quality of high yield securities is maintained).

Had no fair value adjustments been applied to the valuation margins of the Group's high yield securities, the operating profit after tax and before finance costs attributable to unitholders of the Group for the half-year ended 31 December 2008 would have been $11,739,000 (2007 - $7,775,000).

Matters subsequent to the end of the half-year

No other significant events have occurred since balance date which would impact on the financial position of the Group disclosed in the balance sheets as at 31 December 2008 or on the results and cash flows of the Group for the half-year ended on that date.

Directors' Report (continued)

Rounding of amounts to the nearest thousand dollars

The Group is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the directors’ report and financial report. Amounts in the directors’ report and financial 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 3.

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

Steve Boulton

Director

26 February 2009

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

As lead auditor for the review of Hastings High Yield Fund for the half-year ended 31 December 2008, 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 review; and

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

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

JF Power

JF Power
Partner
PricewaterhouseCoopers

Melbourne
26 February 2009

Consolidated Income Statement

	Notes	Consolidated 31 December 2008 $'000	Consolidated 31 December 2007 $'000
Income			
Interest income		**15,254**	11,915
Net gain/(loss) - securities	2	**(4,021)**	(418)
Net gain/(loss) - receivables		**333**	-
Net gain/(loss) - other		**66**	-
Other income		**43**	718
Net gain/(loss) - cash and cash equivalents		**(370)**	(8)
Net gain/(loss) - borrowings		**(9)**	(402)
Total income/(loss)		**11,296**	11,805
Expenses			
Responsible Entity fees		**482**	808
Audit fees		**88**	32
Tax fees		**16**	13
Investment expenses		**(1)**	112
Other prudential expenses		**99**	29
Unitholder communication expenses		**138**	114
Finance costs		**2,770**	2,917
Other expenses		**(23)**	5
Total expenses		**3,569**	4,030
Profit/(loss) before income tax and finance costs attributable to unitholders		**7,727**	7,775
Income tax expense		**(1)**	-
Profit/(loss) after income tax and before finance costs attributable to unitholders for the half-year		**7.726**	7,775
Finance costs attributable to unitholders			
Distributions to unitholders	3	**(10,588)**	(8,791)
(Increase)/decrease in net assets attributable to unitholders	8	**2,862**	1,016
Profit/(loss) for the half-year before tax		**-**	-

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

Consolidated Balance Sheet

	Notes	Consolidated 31 December 2008 $'000	30 June 2008 $'000
Assets			
Cash and cash equivalents		**13,042**	15,919
Receivables	4	**43**	33
Other assets		**76**	88
Securities	5	**265,414**	265,548
Deferred income tax asset		**3,440**	2,987
Total assets		**282,015**	284,575
Liabilities			
Payables	6	**5,836**	6,355
Borrowings	7	**70,010**	70,283
Income tax payable		**5**	10
Deferred income tax liability		**3,436**	2,987
Total liabilities (excluding net assets attributable to unitholders)		**79,287**	79,635
Net assets attributable to unitholders (liability)	8	**202,728**	204,940
Represented by:			
Issued units		**210,036**	209,386
Undistributed profit / (loss) attributable to unitholders		**(7,308)**	(4,446)
Total unitholder interests		**202,728**	204,940

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

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

Consolidated Cash Flow Statement

	Notes	Consolidated 31 December 2008 $'000	31 December 2007 $'000
Cash flows from operating activities			
Interest received		**16,058**	13,386
Other income received		**283**	(20)
Finance costs paid		**(2,989)**	(2,725)
Other operating expenses paid		**(979)**	(696)
Net cash inflow/(outflow) from operating activities		**12,373**	9,945
Cash flows from investing activities			
Payments for the purchase of unlisted securities		**(5,782)**	(79,989)
Proceeds from the sale of unlisted securities		**739**	19,125
Proceeds from the close out of derivative securities		**(305)**	-
Net cash inflow/(outflow) from investing activities		**(5,348)**	(60,864)
Cash flows from financing activities			
Distributions paid		**(10,564)**	(7,170)
Proceeds from debt facility drawdowns		**-**	38,000
Payments for debt facilities repayments		**-**	-
Proceeds from the issue of units		**651**	36,607
Payments for unit issue costs		**-**	(526)
Net cash inflow/(outflow) from financing activities		**(9,913)**	66,911
Net increase/(decrease) in cash and cash equivalents		**(2,888)**	15,992
Cash and cash equivalents at the beginning of the half-year		**15,919**	3,662
Effects of foreign currency exchange rate changes on cash and cash equivalents		**11**	-
Cash and cash equivalents at the end of the half-year		**13,042**	19,654

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

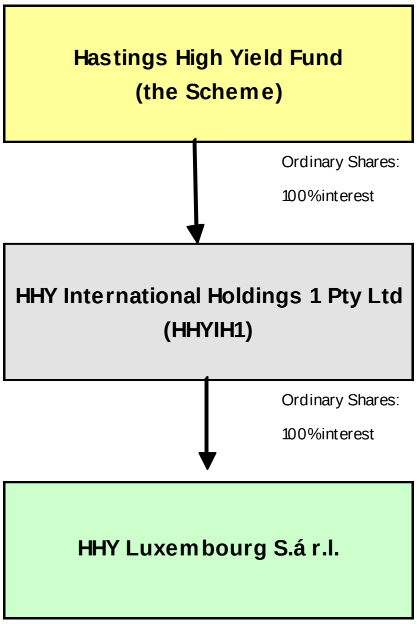
The Hastings High Yield Fund (the Scheme) was established in Australia under a Constitution dated 19 January 2005 (as amended), with Hastings Funds Management Limited (Hastings) as the Responsible Entity.

On 31 July 2007 HHY International Holdings 1 Pty Ltd (HHYIH1) 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.á r.l. was incorporated in Luxembourg as a company limited by shares. It has been 100% owned since its date of incorporation by HHYIH1.

HHYIH1 and HHY Luxembourg S.á 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):



(a) Basis of preparation

This half-year financial report is a general purpose financial report has been prepared in accordance with the Scheme's Constitution, Australian Accounting Standard AASB134 *Interim Financial Reporting*, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001,* in Australia. The half-year financial report is to be read in conjunction with the Annual Report at 30 June 2008, and has been prepared on a historical cost basis, except for derivative and non-derivative securities that have been measured at fair value.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full year financial report.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Group, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

The Balance Sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non current.

The functional and presentation currency of the Group is Australian dollars.

The financial report of the Group for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 26 February 2009. The accounting policies are consistent with those of the previous financial year.

1 Summary of significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Scheme as at 31 December 2008 and the results of all subsidiaries for the half-year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group 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 financial report 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 be adopted.

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

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2008 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Group) and interpretations is set below:

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8.*

AASB 8 and AASB 2007-3 are effective for annual reporting periods beginning on or after 1 January 2009. The Group has not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but may affect the segment disclosures provided in note 9.

(ii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101.*

The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. The Group has not adopted this standard early. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements.

(iii) AASB 132 *Financial Instruments: Presentation* and AASB 2008-2 Amendments to Australian Accounting Standards - *Puttable Financial Instruments and Obligations Arising on Liquidation* (Revised AASB 132).

The amendment to AASB 132 and AASB 2008 2 are effective for reporting periods commencing on or after 1 January 2009. Application of these standards will not affect any of the amounts recognised in the financial statements as the Group is obligated to distribute all of its taxable income in accordance with the Group's Constitution. Accordingly, there will be no change to classification of unitholders' interests as a liability and therefore no impact.

(iv) Revised AASB 3 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

1 Summary of significant accounting policies (continued)

(d) Significant accounting estimates, judgements and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Valuation of unlisted securities

Fair values of unlisted securities are determined by estimating the future cash flows and then discounting these cash flows back to their present value using a post-tax, risk adjusted discount rate. Where appropriate, fair values are calibrated to relevant market developments. Where applicable, foreign currency discounted cash flows are translated back to the Group's functional currency using the spot foreign exchange rate. The carrying amount of unlisted securities held by the Group at 31 December 2008 was $251,429,000 (30 June 2008 - $231,008,000). Further details are provided in Note 1(h).

Global credit markets have experienced unprecedented levels of volatility. Lower levels of available liquidity coupled with the unwinding of highly geared investment vehicles have resulted in a general weakening of market sentiment towards various asset classes, including unlisted debt securities and the level of primary issuance has significantly reduced.

The fair value of an unlisted debt security is the price at which the security could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The current lack of available and comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to the fair values of unlisted debt securities.

The fair value of unlisted debt securities has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value at the end of the reporting period, the current market uncertainty means that if the unlisted debt securities were sold in the future, the price achieved may be higher or lower than the fair value recorded at the end of the reporting period.

Valuation of derivative securities

The fair value of derivative securities is determined by reference to the fair value as advised by the counterparty to the derivative contract on balance sheet date. In assessing fair value, the projected future cash flows under the derivative contract are discounted to their present value using a pre-tax, risk adjusted discount rate. Where applicable, foreign currency discounted cash flows are translated back to the Group's functional currency using the spot foreign exchange rate. The carrying amount of the derivative securities held by the Group at 31 December 2008 was $(2,746,000) (30 June 2008 - $18,531,000). Further details are provided in Note 1(h).

(e) Foreign currency translation

i) 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 half-year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

ii) Group companies

Foreign currency exchange differences arising from the translation of foreign subsidiaries are recorded in the foreign currency translation reserve. All subsidiaries which have a presentation currency different to the parent have their assets and liabilities translated at the closing rate at the balance sheet date, and income and expenses translated at the average exchange rate.

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 measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

1 Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, high liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments including cash management trusts, and bank overdrafts.

(g) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

(h) Securities

Securities comprise listed securities, unlisted securities and derivative securities.

Securities are recorded at fair value through the profit or loss upon initial recognition, as they are managed and their performance evaluated on a fair value basis in accordance with the Group's investment strategy.

Fair value has been determined as the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction.

In the current market climate, illiquidity may lead to a difference between prices achieved and fair values.

Any transaction costs arising on the issue of such financial instruments are recognised in the Income Statement when incurred.

Listed securities

For listed securities that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, unless the Responsible Entity determines there is no market in respect of the relevant security or the market value does not represent the fair value of the security. Where the Responsible Entity makes this determination, the Responsible Entity must at the same time determine a method of valuation other than market value for the security.

Unlisted securities

For unlisted securities where there is no actively quoted market bid price, fair value is determined by projecting future cash flows and then discounting these cash flows back to their present value using a post-tax, risk adjusted discount rate. Where appropriate, fair values are calibrated to relevant market developments. Where applicable, foreign currency discounted cash flows are translated back to the Group’s functional currency using a liquidity adjusted spot foreign exchange rate. Unlisted securities include high-yield debt securities and accrued interest.

Derivative Securities

The Group uses derivative securities to protect its risks associated with foreign currency fluctuations. For derivative securities, fair value is determined by reference to the fair value as advised by the counterparty to the derivative contract on balance sheet date. In assessing fair value, the projected future cash flows under the derivative contract are discounted to their present value using a pre-tax, risk adjusted discount rate. Where applicable, foreign currency discounted cash flows are translated back to the Group’s functional currency using a spot foreign exchange rate. Derivative securities include cross currency swap contracts and forward foreign exchange contracts.

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.

1 Summary of significant accounting policies (continued)

(i) Payables

Payables include liabilities and accrued expenses owing by the Group which are unpaid as at balance sheet date.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the Balance Sheet when unitholders are presently entitled to the distributable income under the Scheme's Constitution.

(j) Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) Borrowings

All borrowings are initially recognised at fair value of the consideration received.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Accrued interest payable is disclosed within borrowings until paid. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the amortisation process.

(l) Financial instruments issued by the Group

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Any transaction costs arising on the issue of such financial instruments are recognised as a reduction of the proceeds received.

(m)Net assets attributable to unitholders

Net assets attributable to unitholders comprises the residual interest in the assets of the Group after deducting its liabilities. It is represented by issued units and undistributed profit/(loss) attributable to unitholders.

As units issued by the Group 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 Income Statement 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. The following specific recognition criteria must also be met before income and expenses are recognised:

1 Summary of significant accounting policies (continued)

(n) Income and expense recognition (continued)

Interest income

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

Gain/(loss) - securities - unrealised

Unrealised gains or losses arising from changes in the fair value of securities held at fair value through profit and loss are calculated as the difference between the fair value at half-year end and the fair value at the previous valuation point.

Gain/(loss) - securities - realised

Realised gains or losses are recognised upon the sale of securities held at fair value through profit and loss and are calculated as the difference between the sale price or settlement amount and the fair value at the previous valuation point.

Other expenses

Expenses are recognised in the Income Statements when the Group has a present obligation (legal or constructive) as a result of a past event that can be reliably measured. Expenses are recognised in the Income Statements if expenditure does not produce future economic benefits that qualify for recognition in the Balance Sheets.

Finance costs

Loan arrangement and other fees incurred on the issuance of debt are amortised over the lower of the term of the loans to which they relate and the expected period of benefit. Other finance costs are recognised as an expense when incurred.

Responsible Entity fee

For the half-year ended 31 December 2008, in accordance with the Constitution, the Responsible Entity received a total fee of 0.75% (June 2008 - 0.75%) of the market capitalisation of the Scheme, received quarterly in arrears.

The Responsible Entity is 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.

Performance fee

For the half-year ended 31 December 2008, in accordance with the Constitution, the Responsible entity received no performance fee (31 December 2007 - Nil).

The Responsible Entity is entitled to receive a Performance Fee equal to 20 percent of HHY's Return for a six month period above the Benchmark Return for that period.

If HHY's return for a six month period is less than the Benchmark Return for that Period, the amount of the deficit is carried forward and taken into account in calculating whether HHY's return exceeds the Benchmark Return in subsequent six month periods.

(o) Distributions

The Scheme's Constitution requires that the Responsible Entity distribute to each unitholder an amount representing the distributable income entitlement of each unitholder in respect of a distribution period.

The Scheme will distribute as a minimum its entire taxable income for each tax period in accordance with the PDS, dated 14 February 2005. Distributions are paid quarterly.

1 Summary of significant accounting policies (continued)

(o) Distributions (continued)

Where distributable income is determined by reference to the taxable income of the Scheme, distributable income includes capital gains arising from the disposal of securities. Unrealised gains or losses on securities are transferred to 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

The Scheme

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).

The Group

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- 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 income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 income tax asset to be utilised.

Unrecognised deferred income 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in reserves are recognised in reserves and not in the Income Statement.

1 Summary of significant accounting policies (continued)

(q) Goods and Services Tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Reduced income tax credits recoverable by the Scheme from the Australian Taxation Office are recognised as receivables in the Balance Sheets.

Cash flows are included in the Cash Flow Statement 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 taxation authority.

(r) Rounding of amounts

The Group is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(s) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

2 Net gain/(loss) on securities

	Consolidated	
	31 December 2008 $'000	31 December 2007 $'000
Gain/(loss) - unlisted securities		
Gain/(loss) - asset - unrealised	**(935)**	(350)
Gain/(loss) - foreign exchange - unrealised	**16,083**	(1,381)
Gain/(loss) - foreign exchange - realised	**18**	641
Gain/(loss) - unlisted securities	**15,166**	(1,090)
Gain/(loss) - derivative securities		
Gain/(loss) - foreign exchange - unrealised	**(18,201)**	(618)
Gain/(loss) - foreign exchange - realised	**(1,692)**	1,763
Gain/(loss) - derivative securities	**(19,893)**	1,145
Gain/(loss) - listed securities		
Gain/(loss) - asset - unrealised	**(194)**	-
Gain/(loss) - foreign exchange - unrealised	**900**	(473)
Gain/(loss) - listed securities	**706**	(473)
Total gain/(loss) - securities	**(4,021)**	(418)

Of the total loss on securities of $4,021,000 (2007 - $418,000 loss), $4,013,000 (2007 – Nil) is attributable to fair value adjustments applied to the valuation margins of securities.

3 Distributions to unitholders

	Consolidated	
	31 December 2008 $'000	31 December 2007 $'000
Distributions declared and paid	**5,288**	3,971
Distributions declared and payable	**5,300**	4,820
Total distributions	**10,588**	8,791

During the half-year ended 31 December 2008, two distributions were declared by the Group. A distribution of 4.80 cents per unit was paid on 11 November 2008 for the quarter ended 30 September 2008 (30 September 2007 – 4.40 cents per unit) and a distribution of 4.80 cents per unit was paid on 9 February 2009 for the quarter ended 31 December 2008 (31 December 2007 – 4.40 cents per unit).

4 Receivables

	Consolidated 31 December 2008 $'000	30 June 2008 $'000
Receivables - subsidiary	**-**	(41)
Receivables - other	**43**	74
Total receivables	**43**	33

Terms and conditions

Other receivables are non-interest bearing and normally settled within 30 days.

5 Securities

	Consolidated 31 December 2008 $'000	30 June 2008 $'000
Listed securities	**16,731**	16,009
Unlisted securities	**251,429**	231,008
Derivative securities	**(2,746)**	18,531
Total securities designated at fair value through profit or loss	**265,414**	265,548

6 Payables

	Consolidated 31 December 2008 $'000	30 June 2008 $'000
Trade payables	**-**	70
Payables - Responsible Entity	**-**	447
Payables - other	**536**	562
Distribution payable	**5,300**	5,276
Total payables	**5,836**	6,355

7 Borrowings

	Consolidated	
	31 December 2008 $'000	30 June 2008 $'000
Multi option facility - cash drawn	**69,500**	69,500
Multi option facility - accrued interest	**510**	783
Total borrowings	**70,010**	70,283

(a) Terms and conditions

The Group has in place an unsecured multi-option facility (MOF) agreement with Westpac Banking Corporation which expires on 24 July 2009. At reporting date the facility limit was $75,000,000 (30 June 2008 - $75,000,000). Interest is charged for AUD cash advances at the base rate (BBSY) plus a margin.

(b) Financing arrangements

Under the terms of the MOF no further amounts can be drawn until the Group reduces the current drawings to $25,000,000 or less for one clear banking day during a 6 month period.

8 Net assets attributable to unitholders

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

	Consolidated			
	Units		Net Assets	
	31 December 2008 No. '000	30 June 2008 No. '000	**31 December 2008 $'000**	30 June 2008 $'000
Issued units				
Opening balance	**109,918**	89,541	**209,386**	171,320
Units issued - right issue and capital placements	**-**	19,719	**-**	37,517
Units issued - reinvestment of distributions	**500**	658	**650**	1,178
Capital raising costs	**-**	-	**-**	(419)
Placement costs	**-**	-	**-**	(210)
Closing balance	**110,418**	109,918	**210,036**	209,386

The 31 December 2008 movement represents movements for the 6 months ended 31 December 2008.

The 30 June 2008 movement represents movements for the year ended 30 June 2008.

Terms and conditions

Unitholders have various rights under the Scheme's Constitution and the *Corporations Act 2001,* 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.

	Consolidated	
	31 December 2008 $'000	30 June 2008 $'000
Undistributed profit attributable to unitholders		
Opening balance	**(4,446)**	(4,800)
Profit for the half-year after income tax and before finance costs attributable to unitholders	**7,726**	19,685
Distributions to unitholders	**(10,588)**	(19,331)
Closing balance	**(7,308)**	(4,446)

The 31 December 2008 movement represents movements for the 6 months ended 31 December 2008.

The 30 June 2008 movement represents movements for the year ended 30 June 2008.

9 Segment information

Primary segment

The Group operates in one business segment, being the investment in high yield securities. The income, results, assets and liabilities are presented in the Income Statement, Balance Sheet and notes to the financial statements.

Secondary geographic segment

The Group operates from two geographic locations, being Australia and Luxembourg where its investing activities are managed.

The Group held securities located in five geographic locations, being Australia, United Kingdom, North America, New Zealand and other European Union countries. Details of the geographic location, fair value and income associated with securities are detailed below.

	Other European Union Countries	**North America**	**United Kingdom**	**New Zealand**	**Australia**	**Total**
31 December 2008	$'000	$'000	$'000	$'000	$'000	$'000
Geographical segment income						
Investment income	(378)	(1,536)	5,841	1,027	6,342	11,296
Geographical segment assets						
Securities held at fair value through profit or loss	29,914	18,927	119,418	35,678	61,477	265,414

	Other European Union Countries	**North America**	**United Kingdom**	**New Zealand**	**Australia**	**Total**
30 June 2008	$'000	$'000	$'000	$'000	$'000	$'000
Geographical segment income						
Investment income	2,906	2,299	12,181	3,512	7,333	28,231
Geographical segment assets						
Securities held at fair value through profit or loss	27,527	21,940	120,999	36,445	58,637	265,548

10 Earnings per unit

Since net assets attributable to unitholders are liabilities in the Group's Balance Sheet, 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 profit/(loss) after income tax and before finance costs attributable to unitholders for the half-year.

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

Diluted ‘profit/(loss) after income tax attributable to unitholders’ per unit was not materially different from basic ‘profit/(loss) after income tax attributable to unitholders’ per unit.

	Consolidated	
	31 December 2008	31 December 2007 $'000
Basic earnings per unit (cents per unit)	**7.03**	8.40
Diluted earnings per unit (cents per unit)	**7.03**	8.40
Earnings used in calculating basic earnings per unit ($'000)	**7,726**	7,775
Weighted number of units ('000)	**109,947**	92,515

11 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities and commitments as at 31 December 2008.

12 Events occurring after the balance sheet date

No other significant events have occurred since balance date which would impact on the financial position of the Group disclosed in the balance sheet as at 31 December 2008 or on the results and cash flows of the Group for the half-year ended on that date.

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 4 to 21 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standard AASB 134 *Interim Financial Reporting,* the *Corporations Regulations 2001* and other mandatory professional reporting requirements and is in accordance with the Scheme's Constitution; and

(ii) giving a true and fair view of the Group's financial position as at 31 December 2008 and of their performance for the half-year ended on that date; and

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

The 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.*

For and on behalf of the directors of Hastings Funds Management Limited as Responsible Entity for the Hastings High Yield Fund.

Steve Boulton

Director

26 February 2009

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hastings High Yield Fund, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, notes to the financial statements and the directors' declaration for the Hastings High Yield Fund (the consolidated entity). The consolidated entity comprises the Hastings High Yield Fund and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Hastings Funds Management Limited as Responsible Entity of Hastings High Yield Fund are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Hastings High Yield Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

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Independent auditor's review report to the unitholders of Hastings High Yield Fund (continued)

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Hastings High Yield Fund for the half-year ended 31 December 2008 included on Hastings Funds Management Limited (HFML)'s web site. The directors 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 review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Hastings High Yield Fund is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

JF Power

JF Power
Partner

Melbourne
26 February 2009

D. Independent auditor's review report

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