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Results announcement

TAPS Trust (TTXPA)

Total pages: 30

28 August 2009

Appendix 4D – Report for the half year ended 30 June 2009

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 30 June 2009
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

TAPS Trust financial results

The table below summarises the TAPS Trust financial results for the half year ended 30 June 2009. The financial results reflect that distributions to Trust-issued Adjustable Preferred Securities (TAPS) securityholders take the form of a return of capital which is not reflected as revenue in the income statement. This is further discussed in Section B.

	Change from previous corresponding period		Half year to 30 June 2009 ($'000)	Half year to 30 June 2008 ($'000)
Revenues from ordinary activities	Down 70.4%	to	950	3,208
Profit/(loss) from ordinary activities after tax attributable to members	Down 17.0%	to	(3,315)	(2,834)
Net profit/(loss) for the period attributable to members	Down 17.0%	to	(3,315)	(2,834)
Net cash flows from operating activities	Down 70.2%	to	166	557

Distributions to TAPS securityholders

The table below summarises the distributions to TAPS securityholders for the half year ended 30 June 2009. Please refer to Section B for further details and commentary.

Distributions	Half year to 30 June 2009 Amount per security	Half year to 30 June 2008 Amount per security
March quarter distribution	$1.4548	$2.2887
Franked amount per security	-	-
Foreign sourced income	-	-
Tax deferred amount (1)	$1.4548	$2.2887
Record date to determine entitlement to the distribution	31 March 2009	31 March 2008
Payment date for March distribution	20 April 2009	21 April 2008
June quarter distribution	$1.2748	$2.4458
Franked amount per security	-	-
Foreign sourced income	-	-
Tax deferred amount (1)	$1.2748	$2.4458
Record date to determine entitlement to the distribution	30 June 2009	30 June 2008
Payment date for June distribution	21 July 2009	21 July 2008

(1) Tax deferred amounts for distributions paid for the half year to 30 June 2009 are estimates only. The Annual Distribution Statement, which confirms the tax components of all distributions for the calendar year ending 31 December 2009, will be sent to TAPS Trust investors in early 2010.

There is no Distribution Reinvestment Plan currently in operation for the TAPS Trust.

B. Commentary on the results

TAPS Trust financial results

The table below summarises the TAPS Trust financial results for the half year ended 30 June 2009.

	Half year to 30 June 2009 $'000	Half year to 30 June 2008 $'000
Operating revenue	950	3,208
Responsible entity fees	(464)	(503)
Operating expenses (before finance costs)	(106)	(88)
Finance costs	(1)	(1)
Amortisation of establishment costs	(691)	(241)
Distributions to TAPS securityholders	(3,003)	(5,209)
Net profit/(loss) attributable to ordinary securityholders	(3,315)	(2,834)

The Hastings Diversified Utilities Fund (HDF) holds the ordinary securities in the TAPS Trust and the financial report for the half year ended 30 June 2009 is prepared on this basis.

TAPS Trust reported a net loss attributable to ordinary securityholders (i.e. HDF) of $3.3 million. This net loss is explained by understanding the accounting treatment of the cash flows of the TAPS Trust. In particular:

- TAPS Trust receives the majority of its cash flows from the now merged South East Water and Mid Kent Water businesses via a return of capital. A return of capital is reflected in the cash flow statement rather than the income statement, hence the lack of accounting earnings.
- The distributions paid to TAPS securityholders are treated as an expense under Australian International Financial Reporting Standards (AIFRS), therefore increasing the net loss attributable to ordinary securityholders.
- It is this structure that results in the majority of distributions to TAPS securityholders being tax deferred.

TAPS Trust distributions

The table below outlines the distributions paid by the TAPS Trust during the half year ended 30 June 2009.

	Half year to 30 June 2009	Half year to 30 June 2008
Distribution per TAPS security	$2.7296	$4.7345
Tax deferred component of distribution	$2.7296	$4.7345
Percentage tax deferred (1)	100%	100%
Number of TAPS on issue	1,100,000	1,100,000
Net Tangible Asset (NTA) / Ordinary Security ($)	(393,816)	(228,244)

(1) Tax deferred amounts for distributions paid for the half year to 30 June 2009 are estimates only. The Annual Distribution Statement, which confirms the tax components of all distributions for the calendar year ended 31 December 2009, will be sent to TAPS Trust investors in early 2010.

TAPS securityholders were paid distributions totalling $3.0 million during the half year ended 30 June 2009 or $2.7296 per security. Distributions were lower compared to the previous corresponding period ($5.2 million, or $4.7345 per security) due to a reduction in the 90 day Bank Bill Rate over the period.

The cash flows which underpin the distributions to TAPS securityholders are sourced from South East Water business (merged with Mid Kent Water). TAPS distributions are also guaranteed by HDF, subject to certain conditions as set out in the TAPS Product Disclosure Statement.

B. Commentary on the results continued

South East Water asset update

The table below summarises South East Water's financial results for the full year ended 31 March 2009 (note South East Water has a March year end):

South East Water operating results [1] [2]	Change from previous corresponding period	Year ended 31 March 2009 (£'000)	Year ended 31 March 2008 (£'000)
Revenue	Up 1.8%	172,135	169,058
EBITDA [3]	Up 2.8%	104,212	101,401
Operating profit [3]	Down 2.8%	67,527	69,492
Profit before tax	Up 22.7%	37,196	30,303
Net cash from operating activities	Up 4.4%	103,489	99,126

(1) The financial results above relate to South East Water Limited (i.e. the merged regulated entity) only and are prepared in accordance with UK GAAP.

(2) South East Water and Mid Kent Water were merged in December 2007. The financial results for the year ended 31 March 2009 reflect a full year of trading for the combined operations. Although the two businesses were not merged until partway through the previous corresponding period, their results have been amalgamated under common accounting policies to allow this comparison.

(3) 2008 EBITDA and operating profit are before merger costs.

Revenue for the year ended 31 March 2009 was £172.1 million, up by 1.8 percent on the corresponding period, and EBITDA was £104.2 million, up by 2.8 percent, reflecting allowed tariff increases net of a one-off £4.0 million reduction in customer bills in the year ended 31 March 2009 as required by the Competition Commission merger conditions. Operating profit, down 2.8 percent on the corresponding period, was affected by a £4.8 million increase in depreciation, driven by an expected increase in infrastructure investment over the next ten years. Profit before tax of £37.2 million, up 22.7 percent on the corresponding period, benefited from a reduced swap fair value charge.

Key highlights for South East Water's full year included:

- Completion of the implementation of the merger between former South East Water and Mid Kent Water companies and delivery of the Competition Commission's required post merger cost savings of £3.1 million per annum. Having delivered both the one-off reduction in customer bills and the annual cost savings, South East Water has now fully satisfied the Competition Commission's requirements related to the merger
- The insourcing of the South East Water contact centre to its Snodland head office, including provision of a new telephony platform, office refurbishment and the recruitment and training of eighty new staff members
- Continued delivery of the capital programme with £83.6 million invested in the year ended 31 March 2009. South East Water remains on track to achieve its regulatory approved capital programme for the current regulatory period
- Water resources are currently at or above historic average levels and no restrictions are envisaged for the current northern hemisphere summer
- The next regulatory price review process is progressing:
  - Draft and final business plans were submitted to the UK water regulator (Ofwat) in August 2008 and April 2009 respectively
  - Ofwat's Draft Determination was published in July 2009
  - South East Water will respond to Ofwat's Draft Determination in September 2009 and will engage with Ofwat prior to its Final Determination, due in late November 2009
  - The outcome of the regulatory price review will take effect from the year commencing 1 April 2010

B. Commentary on the results continued

South East Water is regulated in real price terms and as a consequence South East Water's revenues and regulatory capital value are affected by movements in the Retail Price Index in the UK. While this is partially mitigated by linking a portion of South East Water's cost base to inflation via the use of index linked debt, a perfect hedge is difficult to achieve. There is also a difference in the indexation timing of South East Water's regulatory capital value, debt and revenues.

Due to unprecedented declines in the UK Retail Price Index, an increase in South East Water's gearing levels was experienced over the half year to 31 March 2009. As a consequence, in March 2009 each of the shareholders of South East Water (which include HDF) agreed to provide a capital injection into South East Water. HDF's share of the capital injection was approximately £14 million (approximately $30 million). As per HDF's April 2009 announcement, South East Water remains in full compliance with its banking covenants, including gearing and coverage ratios, which will next be tested at 30 September 2009. No further capital injections are currently being contemplated by the shareholders of South East Water.

C. Financial report for the half year ended 30 June 2009

TAPS Trust

ARSN 113 037 317

Condensed Half Year Financial Statements for the half year ended 30 June 2009

Directors' report

The directors of Hastings Funds Management Limited (Hastings) as Responsible Entity for TAPS Trust, present their report together with the condensed half year financial statements of TAPS Trust (the Scheme) for the half year ended 30 June 2009.

Directors

The names of the directors of the Responsible Entity for the Scheme in office during the half year and up to the date of this report are:

William Forde - Chairman
Steve Boulton - Director
Alan Cameron (appointed 14 April 2009)
Alan Freer - Director
Stephen Gibbs - Director
Mike Hutchinson - Director
Jim McDonald - Director
Sean McElduff - Director
Jim Tate - Director (resigned 14 April 2009)

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

Results and review of operations

The Scheme's principal activity during the year was to invest in the redeemable preference shares of an investment vehicle, HDF International Holdings 1 Pty Ltd through which Hastings Diversified Utilities Fund (HDF) ultimately holds a 50 percent interest in South East Water, a water utility located in the United Kingdom.

Results

The operating loss of the Scheme for the half year ended 30 June 2009 was $3,315,000 (2008 – $2,834,000 loss).

Distributions

During the half year ended 30 June 2009, two distributions to Trust-issued Adjustable Preferred Security (TAPS) holders were declared. A distribution of $1.45 per TAPS was paid on 20 April 2009 for the quarter ended 31 March 2009 (2008 – $2.29 per TAPS) and a distribution of $1.27 per TAPS was paid on 21 July 2009 for the quarter ended 30 June 2009 (2008 – $2.45 per TAPS).

No distributions were declared or paid to ordinary or A class unitholders during the half year.

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.

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the condensed half year financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Directors' report (continued)

Signed in accordance with a resolution of the directors of Hastings Funds Management Limited as Responsible Entity for the Scheme.

Steve Boulton
Director

28 August 2009

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Auditor's Independence Declaration to the Directors of Hastings Funds Management Limited, as Responsible Entity for TAPS Trust

As lead auditor for the review of TAPS Trust for the half year ended 30 June 2009, 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 TAPS Trust during the period.

JF Power
PricewaterhouseCoopers

Melbourne
28 August 2009

Condensed Statement of Comprehensive Income

	Notes	**30 June 2009 $'000**	30 June 2008 $'000
Income			
Interest income		**23**	1,655
Net gain/(loss) - securities	3	**927**	1,553
Total income		**950**	3,208
Expenses			
Audit fees		**30**	21
Tax fees		**3**	8
Responsible Entity fees	2(n)	**464**	503
TAPS holder communication expenses		**52**	42
Finance costs		**3,695**	5,451
Other expenses		**21**	17
Total expenses		**4,265**	6,042
Operating profit/(loss) before finance costs attributable to unitholders		**(3,315)**	(2,834)
Finance costs attributable to unitholders			
Distributions to ordinary and A class unitholders	4	**-**	-
(Increase)/decrease in net liabilities attributable to ordinary unitholders		**3,315**	2,834
Total Comprehensive Income for the half year		**-**	-

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

Condensed Statement of Financial Position

	Notes	30 June 2009 $'000	31 December 2008 $'000
Assets			
Cash and cash equivalents		**1,571**	1,102
Receivables		**4,753**	5,563
Other assets		**-**	14
Security assets	6	**64,423**	68,811
Total assets		**70,747**	75,490
Liabilities			
Payables		**2,003**	2,745
Security liabilities	7	**1,039**	1,966
Trust-issued Adjustable Preferred Securities		**107,086**	106,845
Total liabilities (excluding net assets/(liabilities) attributable to unitholders)		**110,128**	111,556
Net assets/(liabilities) attributable to unitholders (liability)		**(39,381)**	(36,066)
Represented by:			
Issued units - Ordinary	5	**-**	-
Issued units - A class	5	**-**	-
Undistributed profit/(loss) attributable to ordinary unitholders	5	**(39,381)**	(36,066)
Total unitholders' interests		**(39,381)**	(36,066)

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

Condensed Statement of Changes in Equity

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

Condensed Statement of Cash Flows

	30 June 2009 $'000	30 June 2008 $'000
Cash flows from operating activities		
Interest received	**711**	1,174
Finance costs paid (excluding TAPS distributions)	**(1)**	(1)
Operating expenses paid	**(544)**	(616)
Net cash inflow/(outflow) from operating activities	**166**	557
Cash flows from investing activities		
Proceeds from unlisted security capital repayments	**4,388**	4,680
Net cash inflow/(outflow) from investing activities	**4,388**	4,680
Cash flows from financing activities		
TAPS distributions paid	**(4,085)**	(4,974)
Net cash inflow/(outflow) from financing activities	**(4,085)**	(4,974)
Net increase/(decrease) in cash and cash equivalents	**469**	263
Cash and cash equivalents at the beginning of the half year	**1,102**	540
Cash and cash equivalents at the end of the half year	**1,571**	803

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

1 General Information

TAPS Trust (the Scheme) was established in Australia under a Constitution dated 18 February 2005, with Hastings Funds Management Limited (Hastings) as Trustee. On 4 March 2005 the Scheme was registered as a managed investment scheme. Accordingly, Hastings became the Responsible Entity of the Scheme.

The principal activity of TAPS Trust is to invest in redeemable preference shares issued by HDF International Holdings 1 Pty Ltd.

The registered office of the Responsible Entity is located at Level 16, 90 Collins Street, Melbourne, Victoria, 3000.

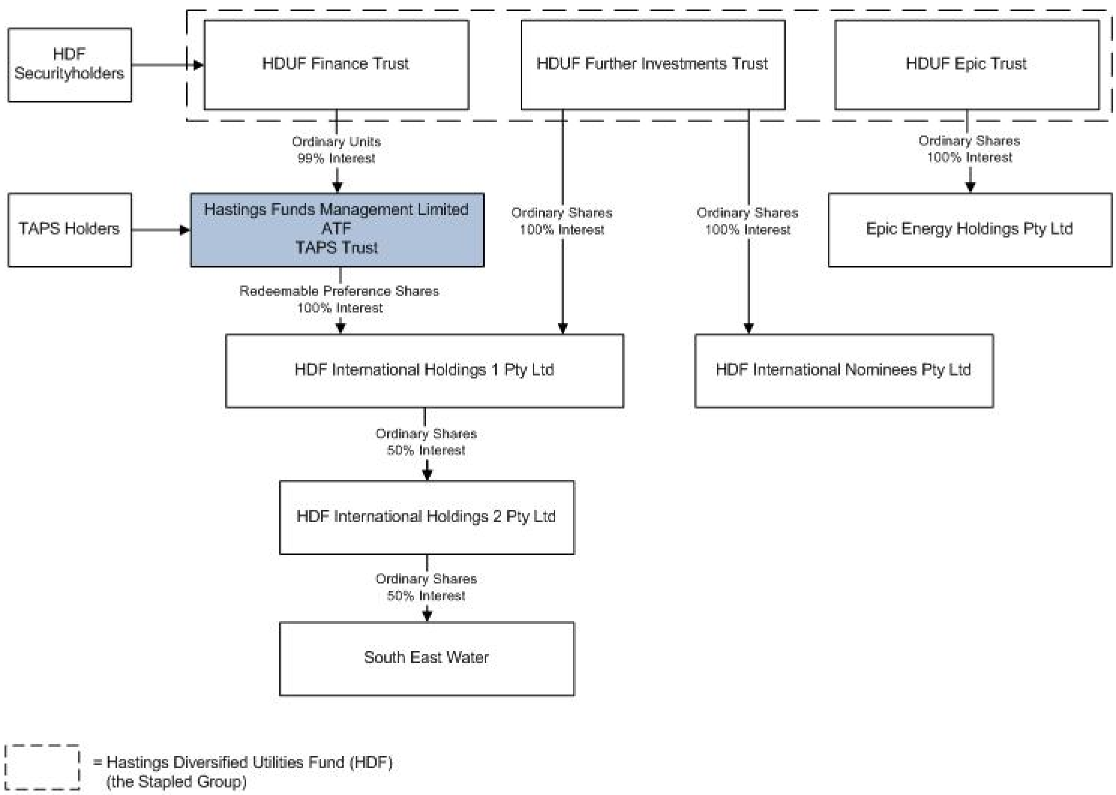
As at 30 June 2009, the Scheme had no employees (2008 - nil employees).

The Scheme's Trust-issued Adjustable Preferred Securities (TAPS) commenced trading on the Australian Stock Exchange (ASX) on 6 May 2005. The Scheme's obligations to pay money which becomes due and payable to TAPS holders are guaranteed. Refer to Note 12 for further details.

2 Summary of significant accounting policies

(a) Structure

The diagram below details the corporate structure of TAPS Trust (the Scheme) and its related entities:



2 Summary of significant accounting policies (continued)

(b) Basis of preparation

The condensed half year financial statements are general purpose financial statements and have been prepared in accordance with Scheme's Constitution, the requirements of the Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The condensed half year financial statements for the half year ended 30 June 2009 do not include all the notes of the type normally included in the annual financial statements. Accordingly, this condensed half year financial statements should be read in conjunction with the Annual Financial Statements of the Scheme for the year ended 31 December 2008 and any public announcements made by the Scheme during the half year ended 30 June 2009 in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The condensed half year financial statements have been prepared in accordance with the historical cost convention except for securities, which have been measured at fair value.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AASB 134 *Interim Financial Reporting* ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

The Condensed Statement of Financial Position 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 Scheme was in a net liability position of $39,381,000 as at 30 June 2009 (2008 - $36,066,000 net liability).

The net liability situation arises because the significant income sources of the Scheme, being interest and unrealised gains from unlisted securities are less than the Scheme's expenses. As such, this gives rise to the operating loss before finance costs attributable to unitholders for the half year. The major expense of the Scheme is the Trust-issued Adjustable Preferred Securities (TAPS) distributions, which are recorded as a finance cost within the Condensed Statement of Comprehensive Income.

The TAPS distributions are the major cash outflow commitments of the Scheme and the Scheme generates sufficient cash flows to meet the TAPS distributions by redeeming the Scheme's holdings in unlisted securities.

The condensed half year financial statements are prepared on a going concern basis since:

- the Scheme has adequate sources of cash flows to meet its obligations arising from TAPS distributions;
- the Scheme has been issued a letter of financial support dated 28 August 2009 from its parent entity, Hastings Funds Management Limited in its capacity as Responsible Entity for HDUF Finance Trust (HDUF Finance), undertaking that for so long as the Scheme is a wholly owned subsidiary of HDUF Finance, HDUF Finance intends to financially support the Scheme to the extent that the Scheme can continue to pay its debts as and when they become due and payable.

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

For the purpose of preparing the condensed half year financial statements, the half year has been treated as a discrete reporting period.

The condensed half year financial statements of the Scheme for the half year ended 30 June 2009 was authorised for issue in accordance with a resolution of directors of the Responsible Entity on 28 August 2009.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except as set out below.

2 Summary of significant accounting policies (continued)

(c) Changes in accounting policy

The Scheme changed its segment reporting accounting policy as the result of the new accounting standard AASB 8 *Operating Segments* which became operative for the annual reporting period commencing on 1 January 2009.

(d) 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).

(e) Significant accounting estimates, judgements and assumptions

In applying the Scheme'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. Significant estimates, judgements and assumptions are outlined below:

Valuation of unlisted securities

The fair value of unlisted securities is determined by an appropriately qualified independent valuer, KPMG Corporate Finance, by projecting future cash flows and then discounting these cash flows back to their present value using a post-tax risk adjusted discount rate.

The carrying amount of unlisted securities held by the Scheme as at 30 June 2009 was $64,423,000 (31 December 2008 - $68,811,000).

Global capital markets continue to be volatile. The fair value of unlisted 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, if the unlisted securities were to be sold, the price achieved may differ from the fair value recorded at the end of the reporting period.

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

Valuation of derivative securities

The fair value of derivative securities is determined by projected future cash flows under the derivative contract and then discounting these cash flows back to their present value using a pre-tax, risk adjusted discount rate.

The carrying amount of derivative securities held by the Scheme as at 30 June 2009 was a liability of $1,039,000 (31 December 2008 - $1,966,000 liability).

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

(f) Foreign currency translation

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 the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Condensed Statement of Comprehensive Income.

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 rate at the date when the fair value was determined.

2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

For Condensed Statement of Cash Flows presentation purposes, cash and cash equivalents include 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 on the Condensed Statement of Financial Position.

(h) 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. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(n). Amounts are generally received within 30 days of being recorded as receivables.

(i) Securities

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

After initial recognition, securities are measured at fair value as securities are managed and their performance evaluated on a fair value basis in accordance with the Scheme's investment strategy.

Unrealised gains or losses arising from movements in the fair value of securities are recognised through the profit and loss and are calculated as the difference between the fair value at period end and the fair value at the previous valuation point.

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

Purchases and sales of securities that require delivery of securities 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 Scheme commits to purchase or sell the securities.

Unlisted securities

Unlisted securities comprise redeemable preference shares.

Fair values of unlisted securities are determined by an appropriately qualified independent valuer, KPMG Corporate Finance, primarily by projecting future cash flows and then discounting these cash flows back to their present value using a post-tax risk adjusted discount rate. The independent valuations assume investments are not being sold and if they were to be realised then there may be potential capital gains tax implications for the Scheme or unitholders depending on the structure of any disposal. Discount rates used are developed on an individual unlisted security basis as determined by the independent valuer. KPMG calculates the relevant discount rate applied to the cash flows of each asset using the Capital Asset Pricing Model method, whereby a premium is added to the risk free rate. The premium takes into account the risk of comparable companies and also incorporates firm specific risk. KPMG uses a 10 year government bond rate in the relevant country as a proxy for the risk free rate.

2 Summary of significant accounting policies (continued)

(i) Securities (continued)

Derivative securities

Derivative securities comprise cross currency swaps.

The fair value of derivative securities is determined by projected future cash flows under the derivative contracts and then discounting these cash flows back to their present value using a pre-tax, risk adjusted discount rate.

(j) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders at the end of each reporting period is recognised when unitholders are presently entitled to the distributable income under the Scheme's Constitution.

(k) Borrowings

All loans and borrowings are initially recognised at fair value being the consideration received.

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

Trust-issued Adjustable Preferred Securities

On the issue of the Trust-issued Adjustable Preferred Securities (TAPS), TAPS are recorded at fair value and as liabilities on the Condensed Statement of Financial Position.

After initial recognition, the TAPS are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and is recognised in the Condensed Statement of Comprehensive Income. The corresponding distributions on TAPS are charged as a finance cost through the Condensed Statement of Comprehensive Income.

The calculation of the distribution to TAPS holders is as outlined in the TAPS Product Disclosure Statement (PDS) dated 15 March 2005.

(l) Financial instruments issued by the Scheme

Debt and equity instruments 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 Condensed Statement of Financial Position as net liabilities attributable to unitholders. Any transaction costs arising on the issue of such financial instruments are recognised as a reduction of the proceeds received.

(m) Net liabilities attributable to unitholders

Net liabilities attributable to unitholders comprise the residual interest in the assets of the Scheme after deducting its liabilities. It is represented by issued ordinary units, issued A class units and undistributed profit/(loss) attributable to ordinary 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 Condensed Statement of Comprehensive Income as finance costs attributable to unitholders.

2 Summary of significant accounting policies (continued)

(n) Income and expense recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenues or expenses are recognised:

Interest income

Interest 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.

Finance costs

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

Other expenses

Expenses are recognised in the Condensed Statement of Comprehensive Income when the Scheme has a present obligation (legal or constructive) as a result of a past event that can be reliably measured. Expenses are recognised in the Condensed Statement of Comprehensive Income if expenditure does not produce future economic benefits that qualify for recognition in the Condensed Statement of Financial Position.

Responsible Entity fees

In accordance with the Scheme's Constitution, the Responsible Entity is entitled to receive a management fee of an amount equal to 1% of the Scheme's market capitalisation (2008 – 1%) to be calculated on the last day of each quarter and payable in arrears.

The Trustee management fee expense for the half year ended 30 June 2009 was $464,000 (2008: $503,000)

The Responsible Entity is also entitled under the Scheme's 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

The Scheme's Constitution requires the Responsible Entity to distribute to each ordinary unitholder an amount representing the distributable income entitlement of each ordinary unitholder in respect of a distribution period. Distributions are determined by reference to the taxable income of the Scheme. Only ordinary unitholders are entitled to receive income distributions.

Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments are transferred to net assets/(liabilities) attributable to ordinary unitholders and are not distributable and assessable until realised. Capital losses are not distributed to ordinary unitholders but are retained to be offset against any realised capital gains.

(p) 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.

2 Summary of significant accounting policies (continued)

(p) Goods and Services Tax (GST) (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Condensed Statement of Financial Position. Reduced input tax credits recoverable by the Scheme from the Australian Taxation Office are recognised as receivables in the Condensed Statement of Financial Position.

Cash flows are included in the Condensed 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 taxation authority.

(q) Segment reporting

The Scheme has applied AASB 8 *Operating Segments* from 1 January 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now 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 (acting in its capacity as the Responsible Entity for the Scheme and the Group), which makes strategic decisions.

(r) Rounding of amounts

The Scheme is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(s) Comparatives

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

(t) Financial guarantee contracts

Where material, financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 Net gain/(loss) - securities

	30 June 2009 $'000	30 June 2008 $'000
Net gain/(loss) - derivative securities		
Net gain/(loss - foreign exchange - unrealised	**927**	1,553
Net gain/(loss) - derivative securities	**927**	1,553
Net gain/(loss) - securities	**927**	1,553

4 Distributions

(a) Ordinary and A Class unitholders

No distributions were declared or paid to ordinary or A class unitholders.

(b) TAPS holders

During the half year ended 30 June 2009, two distributions to TAPS holders were declared. A distribution of $1.45 per TAPS was paid on 20 April 2009 for the quarter ended 31 March 2009 (2008 – $2.29), and a distribution of $1.27 per TAPS was paid on 21 July 2009 for the quarter ended 30 June 2009 (2008 – $2.45).

TAPS distributions paid and payable for the half year ended 30 June 2009 are $3,002,560 (2008 - $5,207,950). The distributions comprise $1,600,280 being declared and paid (2008 - $2,517,570) and $1,402,280 being declared and payable (2008 - $2,690,380).

TAPS distributions are recognised as a finance cost in the Condensed Statement of Comprehensive Income.

5 Net assets/(liabilities) attributable to unitholders

Movements in number of units and net assets/(liabilities) attributable to unitholders during the period were as follows:

	30 June 2009 No. '000	31 December 2008 No. '000	**30 June 2009 $'000**	31 December 2008 $'000
Issued ordinary units				
Opening balance	**-**	-	**-**	-
Ordinary units issued during the period	**-**	-	**-**	-
Closing balance*	**-**	-	**-**	-

	30 June 2009 No. '000 Liability	31 December 2008 No. '000 Liability	**30 June 2009 $'000 Liability**	31 December 2008 $'000 Liability
Issued A class units				
Opening balance	**-**	-	**-**	-
A class units issued during the period	**-**	-	**-**	-
Closing balance^	**-**	-	**-**	-

5 Net assets/(liabilities) attributable to unitholders (continued)

* The Scheme has 100 ordinary units at $1 each on issue (2008 - 100 ordinary units at $1). Due to rounding, the value is disclosed as nil in these financial statements.

^ The Scheme has 1 A class unit at $1 each on issue (2008 - 1 A class unit at $1). Due to rounding, the value is disclosed as nil in this report.

Terms and conditions

Ordinary unitholders have various rights under the Scheme's Constitution, including the right to:

- receive income distributions (noting that TAPS holders will be entitled to receive distributions in preference of ordinary unitholders);
- 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.

A class unitholders do not have any voting rights or the right to receive income distributions.

	30 June 2009 $'000	31 December 2008 $'000
Undistributed profit/(loss) attributable to ordinary unitholders		
Opening balance	**(36,066)**	(19,989)
Operating profit/(loss) before finance costs attributable to unitholders	**(3,315)**	(16,077)
Closing balance	**(39,381)**	(36,066)

6 Security assets

	30 June 2009 $'000	31 December 2008 $'000
Unlisted securities		
HDF International Holdings 1 Pty Ltd	**64,423**	68,811
Total unlisted securities	**64,423**	68,811
Total security assets held at fair value through profit or loss	**64,423**	**68,811**

7 Security liabilities

	30 June 2009 $'000	31 December 2008 $'000
Security liabilities		
Derivative securities	**1,039**	1,966
Total security liabilities held at fair value through profit or loss	**1,039**	1,966

8 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) before finance costs attributable to unitholders’ and ‘number of ordinary issued units’.

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

Diluted operating profit/(loss) before finance costs attributable to unitholders per unit is not materially different from basic operating profit/(loss) before finance costs attributable to unitholders per unit.

	30 June 2009	30 June 2008
Basic operating profit/(loss) before finance costs attributable to unitholders per ordinary unit (dollars per unit)	**(33,150)**	(28,340)
Diluted operating profit/(loss) before finance costs attributable to unitholders per ordinary unit (dollars per unit)	**(33,150)**	(28,340)
Weighted average number of ordinary units on issue	**100**	100
Earnings used in calculating basic operating profit/(loss) before finance costs attributable to unitholders per ordinary unit ($'000)	**(3,315)**	(2,834)

The directors believe it is useful to calculate and disclose earnings per TAPS attributable to TAPS holders.

Earnings used in calculating this amount is equivalent to distributions paid to TAPS holders disclosed as finance costs in the Condensed Statement of Comprehensive Income.

	30 June 2009	30 June 2008
Basic earnings per TAPS (dollars per unit)	**2.73**	4.73
Weighted average number of TAPS on issue ('000)	**1,100**	1,100
Earnings used in calculating basic earnings per TAPS ($'000)	**3,003**	5,208

9 Segment information

Description of segments and segment information provided to the Board of Hastings

Operating segments are based on the reports reviewed by the Board of Hastings (acting in its capacity as the Responsible Entity of the Scheme), which are used to make strategic decisions in conjunction with the input and guidance from the chief operating officer of the Scheme and Hastings’ head of listed infrastructure.

The Scheme has one reportable segment being its investment in South East Water.

The Scheme is domiciled in Australia.

The Scheme holds Australian unlisted securities that ultimately derive their income from securities issued by operating entities located in the United Kingdom.

9 Segment information (continued)

The segment information provided to the Responsible Entity to assess the performance of the operating segments is based on the results, assets and liabilities presented in the Condensed Statement of Comprehensive Income, Condensed Statement of Financial Position and notes to the condensed half year financial statements.

10 Contingent assets, contingent liabilities and commitments

Guarantees

(i) The Scheme, in its capacity as a guarantor, was a party to a $125 million multi-option facility (MOF) agreement dated 18 August 2005 (as amended) between:

- HDUF Finance Trust as borrower;
- Westpac Banking Corporation (Westpac) and Australia and New Zealand Bank (ANZ) as lenders; and
- Hastings Funds Management Limited in its capacity as Responsible Entity for each of HDUF Epic Trust, HDUF Further Investments Trust, HDF International Holdings 1 Pty Ltd and HDF International Holdings 2 Pty Ltd as guarantors.

The MOF was repaid and cancelled on its expiry date of 18 August 2008.

(ii) The Scheme, in its capacity as a guarantor, is a party to a $80 million cash advance loan facility agreement (Loan Facility) dated 12 March 2009 (as amended) between:

- HDUF Finance Trust as borrower;
- Westpac and ANZ as lenders; and
- Hastings Funds Management Limited in its capacity as Responsible Entity for each of HDUF Epic Trust, HDUF Further Investments Trust, HDF International Holdings 1 Pty Ltd and HDF International Holdings 2 Pty Ltd as guarantors.

On 14 August 2008, the Loan Facility was initially drawn down to $59.6 million with the proceeds used to repay the MOF.

On 12 March 2009, the Loan Facility was extended to $80 million and a further $20.4 million was drawn down on 13 March 2009.

Interest was charged on a base rate (BBSY) plus a margin of 3.50%.

At 30 June 2009, the total amount drawn on the Loan Facility was $80 million (2008: $59.6 million).

The Loan Facility was repaid and cancelled on 22 July 2009.

There are no other outstanding contingent assets, contingent liabilities or commitments as at 30 June 2009.

11 Events occurring after the end of the reporting period

Responsible Entity Management fees rebate

On 1 July 2009, the Responsible Entity announced that it would rebate future Responsible Entity management fees paid by the Scheme up to the first reset date of the TAPS, being 30 June 2010.

Loan Facility

On 22 July 2009, the $80 million drawn under the Loan Facility for which the Scheme was a guarantor was repaid by HDUF Finance Trust. The Loan Facility was subsequently cancelled by HDUF Finance Trust.

No other significant events have occurred since the end of the reporting period that would impact on the financial position of the Scheme disclosed in the Condensed Consolidated Statement of Financial Position as at 30 June 2009 or on the results and cash flows of the Scheme for the half year ended on that date.

12 Guarantee from Hastings Diversified Utilities Fund (HDF) to TAPS Holders

The obligations of the Scheme to pay money which becomes due and payable to TAPS holders in accordance with the TAPS PDS dated 15 March 2005 are guaranteed to TAPS holders on a joint and several and subordinated basis by Hastings Funds Management Limited (Hastings) in its capacities as Responsible Entity for each of the schemes comprising HDF (being HDUF Finance Trust, HDUF Further Investments Trust and HDUF Epic Trust) as Guarantors under the Guarantee Deed Poll.

Following the approximate $250 million HDF capital raising which took place subsequent to the end of the reporting period, HDF has cash cover over the $110 million TAPS on issue.

Claims against HDF under the Guarantee Deed are subordinated to the claims of all senior creditors of HDF but rank equally with all other unsecured creditors of HDF. Such claims are senior to the rights of HDF securityholders.

Under the terms of Guarantee Deed Poll, TAPS holders cannot:

- seek a winding-up or appoint a receiver in respect of the Guarantors; or
- require a payment from the Guarantors in connection with TAPS prior to a winding-up event of HDF.

Claims against HDF in liquidation, or following any winding-up, rank:

- ahead of the claims of all HDF securityholders;
- equally with the claims of other creditors (other than creditors whose claims are expressly agreed to rank after the claims of TAPS holders under the Guarantee Deed Poll); and
- after the claims of all senior creditors.

If the Responsible Entity of the Scheme is not Hastings or a related body corporate, the Guarantee will only apply in respect of the face value of the TAPS and any outstanding distributions as at the date that Hastings or a related body corporate of Hastings ceases to be the Responsible Entity of the Scheme.

Directors' declaration

In accordance with a resolution of the directors of Hastings Funds Management Limited as Responsible Entity for TAPS Trust (the Scheme), I state that:

In the opinion of the directors of the Responsible Entity:

(a) the condensed half year financial statements and notes set out on pages 4 to 19 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Scheme's financial position as at 30 June 2009 and of its performance for the half year ended on that date; and

(ii) complying with applicable Accounting Standards including AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; 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

(c) the condensed half year financial statements is in accordance with the provisions of the Scheme's Constitution.

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* for the half year ended 30 June 2009.

For and on behalf of Hastings Funds Management Limited as Responsible Entity for the Scheme.

Steve Boulton
Director

28 August 2009

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Independent auditor's review report to the unitholders of TAPS Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of TAPS Trust (the scheme), which comprises the condensed statement of financial position as at 30 June 2009, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for TAPS Trust.

Directors' responsibility for the half-year financial report

The directors of the Hastings Funds Management Limited as Responsible Entity for the scheme 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 entity's financial position as at 30 June 2009 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 TAPS Trust, 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.

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.

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Independent auditor's review report to the unitholders of TAPS Trust (continued)

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 TAPS Trust for the half-year ended 30 June 2009 included on Hastings Funds Management Limited's (HFML) web site. The directors of HFML are responsible for the integrity of HFML's 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 TAPS Trust is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the entity's financial position as at 30 June 2009 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
28 August 2009

D. Independent auditor’s review report

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