Hastings High Yield Fund
Consolidated Financial Statements
for the year ended 30 June 2015

ARSN 112 579 129

Directors' Report

The directors of Aurora Funds Management Limited (ABN 69 092 626 885), (the "Responsible Entity") of Hastings High Yield Fund present their report, together with the consolidated financial statements of Hastings High Yield Fund ('the Scheme'), consisting of the Scheme and the entities it controlled at the end of, or during, the year ended 30 June 2015 (referred to hereafter as the Group).

Principal activities

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

The Scheme did not have any employees during the year.

On 30 June 2015, Hastings Funds Management Limited retired as the Responsible Entity of the Scheme, and Aurora Funds Management was appointed as Responsible Entity of the Scheme. This was approved by the unitholders vote during the general meeting held on 29 June 2015.

Directors

The following persons held office as directors of Aurora Funds Management Limited since 30 June 2015 and up to the date of this report:

John Corr
Simon Lindsay
Ian Steuart Roe
Oliver Morgan (resigned 28 April 2015)

The following persons held office as directors of Hastings Funds Management Limited from 1 July 2014 to 30 June 2015:

Alan Cameron (Chairman)
James Evans
Anthony Masciantonio
Andrew Day (Alternate Director
to Anthony Masciantonio)
William Forde (Alternate Director to Alan Cameron and
James Evans)

Review and results of operations

During the year, the Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

Financial results for the year

The performance of the Scheme, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2015 $'000	30 June 2014 $'000
Operating profit before finance costs attributable to unitholders	**(11,657)**	2,366
Distributions paid and payable	**26,600**	3,700
Special Distribution (cents per unit) 31 July	**25.8**	-
Distribution (cents per unit) 30 September	**-**	3.59
Distribution (cents per unit) 31 December	**-**	-
Distribution (cents per unit) 31 March	**-**	-
Distribution (cents per unit) 30 June	**-**	-

Directors' Report (continued)

Information on Underlying Performance

The performance of the Scheme is subject to the performance of the Scheme's portfolio. There has been no change to the investment strategy of the Scheme during the year, and the Scheme continues to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

Strategy and Future Outlook

The Scheme is currently invested in cash. The new Responsible Entity is considering a number of investment opportunities to provide unitholders with improved returns and a more regular source of income. The Scheme provides regular updates, including monthly NTA announcements, which can be found in the announcement section of the Australian Securities Exchange website.

The results of the Scheme's operations will be affected by performance of investment markets in which the Scheme invests. Investment performance is not guaranteed and future returns may differ from past returns.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Significant changes in state of affairs

On 30 June 2015, Hastings Funds Management Limited retired as the Responsible Entity of the Scheme, and Aurora Funds Management Limited was appointed as the Responsible Entity of the Scheme. This was approved by a unitholders vote during the general meeting held on 29 June 2015.

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

Matters subsequent to the end of the financial year

The Responsible Entity has since its appointment commenced the following:

On 7 July 2015 the Responsible Entity announced the commencement of a buy-back. The buy-back will allow the Scheme to buy back 10,307,037 units and commenced on 21 July 2015.

On 20 July 2015 the Responsible Entity announced an enhancement to the existing investment strategy, by adding investment strategies to include the ability to invest in listed Australian and international equities, unlisted Australian and international securities, options, convertible securities and other derivative securities.

Other than the matters outlined above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

(i) the operations of the Scheme in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Scheme in future financial years

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Indemnity and insurance of officers

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

Indemnity of auditors

The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Directors' Report (continued)

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

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

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

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

Interests in the Group

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

The values of the Scheme's assets and liabilities are disclosed on the Statement of Financial Position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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

S Lindsay

Simon Lindsay
Managing Director
31 August 2015

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

As lead auditor for the audit of Hastings Yield Fund for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

Elizabeth O'Brien
Partner
PricewaterhouseCoopers

Melbourne
31 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Consolidated Statement of Comprehensive Income

	Notes	**2015** **$'000**	2014 $'000
Income			
Interest income	3	**1,093**	2,707
Net gain/(loss) - cash and cash equivalents	4	**(93)**	303
Net gain/(loss) - securities	5	**(11,955)**	(53)
Net gain/(loss) - other	6	**5**	5
Total income		**(10,950)**	2,962
Expenses			
Responsible Entity management fees	7	**114**	274
Investment expenses		**2**	-
Legal costs		**138**	-
Valuation fees		**10**	9
Audit fees		**47**	78
Tax fees		**33**	25
Unitholder and investor relations expenses		**69**	82
Other expenses		**144**	207
Total expenses		**557**	675
Operating profit/(loss) before income tax and finance costs attributable to unitholders		**(11,507)**	2,287
Income tax expense/(benefit)	10	**150**	(79)
Operating profit/(loss) after income tax and before finance costs attributable to unitholders		**(11,657)**	2,366
Finance costs attributable to unitholders			
Distributions to unitholders	11	**(26,600)**	(3,700)
(Increase)/decrease in net assets attributable to unitholders		**38,257**	1,334
Profit/(loss) for the year		**-**	-
Other comprehensive income			
Movement in foreign currency translation reserve	17(c)	**(68)**	28
Total other comprehensive income		**(68)**	28
Other comprehensive income/(loss) attributable to unitholders		**68**	(28)
Total comprehensive income for the year		**-**	-

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

Consolidated Statement of Financial Position

	Notes	**2015 $'000**	2014 $'000
Assets			
Cash and cash equivalents	12(b)	**11,611**	9,790
Receivables	13	**5**	380
Securities	14	**-**	39,539
Total assets		**11,616**	49,709
Liabilities			
Payables	15	**138**	152
Current tax liabilities	16	**158**	1
Total liabilities (excluding net assets attributable to unitholders)		**296**	153
Net assets attributable to unitholders - (liability)		**11,320**	49,556
Represented by:			
Issued units	17(a)	**200,702**	200,702
Foreign currency translation reserve	17(c)	**-**	68
Undistributed profit/(loss) attributable to unitholders	17(d)	**(189,382)**	(151,214)
Total unitholders' interests		**11,320**	49,556

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

Consolidated Statement of Changes in Equity

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

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

Consolidated Statement of Cash Flows

	Notes	**2015** **$'000**	2014 $'000
Cash flows from operating activities			
Interest received		**1,247**	2,226
Operating expenses paid		**(552)**	(685)
Income tax paid/(refunded)		**(5)**	(7)
Net cash inflow/(outflow) from operating activities	12(a)	**690**	1,534
Cash flows from investing activities			
Proceeds from unlisted loan security repayments		**21,330**	23
Proceeds from sale of unlisted securities		**6,438**	2,192
Proceeds from settlement of derivative contracts		**11**	-
Payments for settlement of derivative contracts		**-**	(4,078)
Net cash inflow/(outflow) from investing activities		**27,779**	(1,863)
Cash flows from financing activities			
Distributions paid		**(26,600)**	(22,356)
Net cash inflow/(outflow) from financing activities		**(26,600)**	(22,356)
Net increase/(decrease) in cash and cash equivalents		**1,869**	(22,685)
Cash and cash equivalents at the beginning of the financial year		**9,790**	32,113
Effects of exchange rate changes on cash and cash equivalents		**(48)**	362
Cash and cash equivalents at the end of the year	12(b)	**11,611**	9,790

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

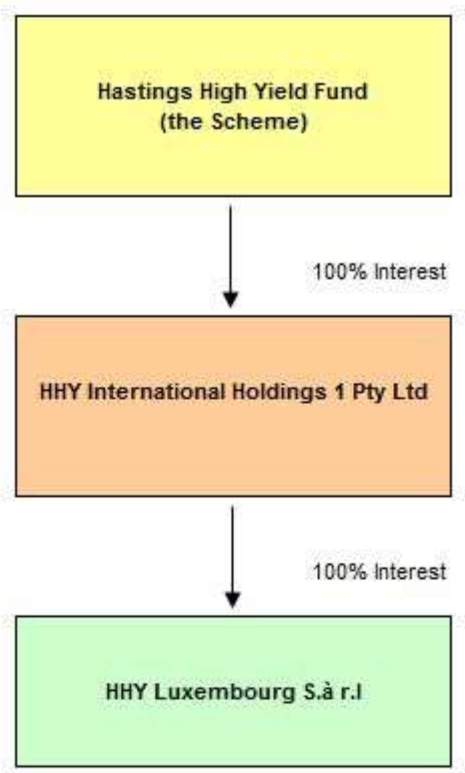
1 General information

Hastings High Yield Fund (the Scheme) was established in Australia under a Constitution dated 19 January 2005 (as amended), with Hastings Funds Management Limited as the Responsible Entity of the Scheme up until 30 June 2015. On 1 July 2015 Hastings Funds Management resigned as Responsible Entity for Hastings High Yield Fund and Aurora Funds Management Limited (ABN 69 092 626 885) was appointed as the new Responsible Entity.

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

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

The diagram below details the structure of the Scheme and its subsidiaries held during the year ended 30 June 2015 (the Group):



HHY Luxembourg S.à r.l. was dissolved on 29 June 2015.

The Responsible Entity for Hastings High Yield Fund for the year ended 30 June 2015 was Hastings Funds Management Limited (ABN 27 058 693 388). Hastings Funds Management Limited's registered office is Level 27, 35 Collins Street, Melbourne, Victoria, 3000.

On 1 July 2015 Hastings Funds Management resigned as Responsible Entity for Hastings High Yield Fund and Aurora Funds Management Limited (ABN 69 092 626 885) was appointed as the new Responsible Entity. Aurora Fund Management Limited's registered office is Level 4, 1 Alfred Street Sydney NSW 2000.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

The Consolidated Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

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

The consolidated financial statements of the Group for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors of the Responsible Entity. The directors of the Responsible Entity have the power to amend and reissue the consolidated financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2014 that would be expected to have a material impact on the Scheme.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Scheme as at 30 June 2015 and the results of all subsidiaries for the year then ended. The Scheme and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

2 Summary of significant accounting policies (continued)

(c) Parent entity financial information

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

(i) Investments in subsidiaries

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

(ii) Income tax

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

(d) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Group) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The final version of the standard highlights the new hedging rules, measurement of debt instruments and impairment losses. The standard is not applicable until 1 January 2018 but is available for early adoption.

The Group will apply the new standard from 1 July 2018. The Group is yet to fully assess the impact of applying the new standard.

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

(e) Significant accounting estimates, judgements and assumptions

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

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

Significant estimates, judgements and assumptions are outlined below:

Valuation of derivative securities

Derivative securities comprise cross currency swap contracts.

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

The fair value of derivative securities held by the Group at 30 June 2015 was $nil (2014 - $(3,000)).

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

2 Summary of significant accounting policies (continued)

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

Carrying value of unlisted debt securities

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

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

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

The amortised cost of unlisted debt securities as at 30 June 2015 was $nil (2014 - $35,601,000).

The impairment allowance carried in connection with unlisted debt securities was $nil (2014 - $nil).

Valuation of unlisted equity securities

The fair value of unlisted equity securities held by the Group at 30 June 2015 was $nil (2014 - $3,941,000).

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

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

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

(f) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

2 Summary of significant accounting policies (continued)

(f) Foreign currency translation (continued)

(iii) Group entities

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

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

(g) Cash and cash equivalents

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

(h) Receivables

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

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

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

Impairment allowance

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

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

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

(i) Securities

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

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

2 Summary of significant accounting policies (continued)

(i) Securities (continued)

Derivative securities

Derivative securities comprise cross currency swap contracts.

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

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

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

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

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

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

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

Unlisted securities

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

Unlisted debt securities

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(i) Securities (continued)

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

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

Unlisted equity securities

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

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

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

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

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

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

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

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

(j) Impairment of securities

Unlisted debt securities

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

2 Summary of significant accounting policies (continued)

(j) Impairment of securities (continued)

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

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

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

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

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

(k) Payables

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

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

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

(l) Financial instruments

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

(m) Net assets attributable to unitholders

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

As units issued by the Scheme are classified as financial liabilities, any amounts paid or payable as well as net asset movements attributable to unitholders are recorded as an expense and presented in the Consolidated Statement of Comprehensive Income as 'finance costs attributable to unitholders'.

(n) Income and expense recognition

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

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

2 Summary of significant accounting policies (continued)

(n) Income and expense recognition (continued)

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

Interest income

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

Dividend and distribution income

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

Responsible Entity fees

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

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

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

(o) Distributions

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

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

(p) Income tax

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(p) Income tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

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

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

(q) Goods and Services Tax (GST)

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

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

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

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

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

(r) Segment Reporting

Operating segments have been reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker during the year ended 30 June 2015 was identified as the Board of Hastings Funds Management Limited (acting in its capacity as the Responsible Entity for the Scheme and the Group), which made strategic decisions during this period. On 1 July 2015 Hastings Funds Management resigned as Responsible Entity for the Scheme and Aurora Funds Management Limited was appointed as the new Responsible Entity.

(s) Rounding of amounts

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

3 Interest income

	2015	2014
	$'000	$'000
Cash and cash equivalents	**206**	307
Unlisted securities	**887**	1,907
Derivative securities	**-**	493
Total interest income	**1,093**	2,707

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

	2015	2014
	$'000	$'000
Net gain/(loss) - unrealised	**(92)**	303
Net gain/(loss) - realised	**(1)**	-
Total net gain/(loss) - cash and cash equivalents	**(93)**	303

5 Net gain/(loss) - securities

	2015	2014
	$'000	$'000
Net gain/(loss) - unlisted securities		
Net gain/(loss) - realised	**(26,032)**	10
Net gain/(loss) - unrealised	**14,063**	874
Total net gain/(loss) - unlisted securities	**(11,969)**	884
Net gain/(loss) - derivative securities		
Net gain/(loss) - realised	**11**	(4,078)
Net gain/(loss) - unrealised	**3**	3,141
Total net gain/(loss) - derivative securities	**14**	(937)
Total net gain/(loss) - securities	**(11,955)**	(53)

6 Net gain/(loss) - other

	2015	2014
	$'000	$'000
Net gain/(loss) - realised	**5**	5
Total net gain/(loss) - other	**5**	5

7 Responsible Entity management fees

	2015	2014
	$'000	$'000
Responsible Entity management fees	**114**	274
Total Responsible Entity management fees	**114**	274

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

8 Responsible Entity performance fees

	2015	2014
	$'000	$'000
Responsible Entity performance fees	**-**	-
Total Responsible Entity performance fees	**-**	-

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

No performance fee was levied by the Responsible Entity for the year ended 30 June 2015 (2014 - $nil).

9 Audit fees

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

	2015	2014
	$	$
(a) Audit services		
Amounts paid or payable including non-recoverable GST, to *PricewaterhouseCooper*s, for:		
Audit and review of financial statements	**32,087**	57,999
Audit of compliance plan	**9,405**	12,383
Audit of derivatives risk statement	**-**	1,734
Total audit services fees	**41,492**	72,116
(b) Non-audit services		
Amounts paid or payable including non-recoverable GST, to *PricewaterhouseCoopers*, for:		
Agreed upon procedures - annual report	**-**	3,511
Total non-audit service fees	**-**	3,511

10 Income tax expense/(benefit)

(a) Income tax expense/(benefit)

	2015	2014
	$'000	$'000
Current income tax expense/(benefit)	**41**	(79)
Adjustments for prior period current income tax expense/(benefit)	**109**	-
Total current income tax expense/(benefit)	**150**	(79)

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

	2015	2014
(Loss)/profit before income tax	**(11,507)**	2,287
Tax at the applicable Australian tax rate of 30.0% (2014 - 30.0%)	**(3,452)**	686
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:		
Loss/(profit) not assessable in the hands of the Scheme	**3,439**	(703)
Tax base and rate differential - foreign subsidiary	**53**	(1)
Other	**1**	(1)
Adjustments for current tax of prior periods	**109**	-
Prior year under/(over) provision	**-**	(61)
Derecognition of prior year temporary difference	**-**	1
Total current income tax expense/(benefit)	**150**	(79)

11 Distributions to unitholders

	2015 $'000	2014 $'000
Distributions declared and paid	**26,600**	3,700
Total distributions to unitholders	**26,600**	3,700

During the year ended 30 June 2015, distributions were declared by the Group as follows:

- a special distribution of 25.8 cents per unit was declared on 31 July 2014 and was paid on 29 August 2014.
- no distribution was declared or paid for the quarter ended 30 September 2014 (2013 - 3.59 cents per unit).
- no distribution was declared or paid for the quarter ended 31 December 2014 (2013 - nil).
- no distribution was declared or paid for the quarter ended 31 March 2015 (2014 - nil).
- no distribution was declared or paid for the quarter ended 30 June 2015 (2014 - nil).

12 Cash and cash equivalents

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

	2015 $'000	2014 $'000
Operating profit/(loss) before finance costs attributable to unitholders	**(11,657)**	2,366
Adjustments for non-cash and non-operating items		
Net (gain)/loss - cash and cash equivalents	**93**	(303)
Net (gain)/loss - securities	**11,955**	53
Net gain/(loss) - other	**(5)**	(5)
Change in operating related assets and liabilities		
(Increase)/decrease in accrued income	**158**	(477)
(Increase)/decrease in receivables	**24**	34
(Increase)/decrease in other assets	**-**	(16)
Increase/(decrease) in payables	**(19)**	(86)
Increase/(decrease) in current tax liabilities	**145**	(32)
Increase/(decrease) in foreign currency translation reserve	**(4)**	-
Net cash inflow/(outflow) from operating activities	**690**	1,534

12 Cash and cash equivalents (continued)

(b) Components of cash and cash equivalents

	2015	2014
	$'000	$'000
Cash at bank	**11,611**	9,790
Total cash and cash equivalents	**11,611**	9,790

(c) Significant non-cash financing and investing activities

There were no significant non-cash financing and investing activities in the current or prior year.

13 Receivables

	2015	2014
	$'000	$'000
Income receivable	**-**	372
Receivable - other	**5**	8
Total receivables	**5**	380

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

14 Securities

	2015	2014
	$'000	$'000
Securities		
Unlisted securities	**-**	39,542
Derivative securities	**-**	(3)
Total securities	**-**	39,539
Unlisted securities comprise the following holdings:		
Unlisted debt securities		
Cory Environmental	**-**	14,313
Maher Terminals	**-**	21,288
Total unlisted debt securities	**-**	35,601
Unlisted equity securities		
Hyne & Son - (a)	**-**	3,941
Total unlisted equity securities	**-**	3,941
Total unlisted securities	**-**	39,542
Derivative securities comprise the following holdings:		
Cross currency swaps	**-**	(3)
Total derivative securities	**-**	(3)

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

(a) Unlisted Equity Security Revaluations - Hyne & Son

Current Year:

On 13 May 2015, the Hyne & Son ordinary shares were sold for $6,095,000 ($58.00 per share).

Prior Year:

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

15 Payables

	2015	2014
	$'000	$'000
Payables - Responsible Entity	**20**	66
Payables - other	**-**	31
Accrued expenses	**118**	55
Total payables	**138**	152

16 Current tax liabilities

	2015	2014
	$'000	$'000
Current tax liabilities	**158**	1
Total current tax liabilities	**158**	1

17 Net assets attributable to unitholders

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

(a) Issued Units

	2015	2014	**2015**	2014
	No.'000	No.'000	**$'000**	$'000
Opening balance	**103,070**	103,070	**200,702**	200,702
Closing balance	**103,070**	103,070	**200,702**	200,702

(b) Terms and conditions

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

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

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

17 Net assets attributable to unitholders (continued)

(c) Foreign currency translation reserve

	2015	2014
	$'000	$'000
Opening balance	**68**	40
Movement	**21**	28
Foreign currency differences on liquidation of subsidiary	**(89)**	-
Closing balance	**-**	68

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

	2015	2014
	$'000	$'000
Opening balance	**(151,214)**	(149,880)
Operating profit/(loss) after income tax and before finance costs attributable to unitholders	**(11,657)**	2,366
Distributions to unitholders	**(26,600)**	(3,700)
Foreign currency differences on liquidation of subsidiary	**89**	-
Closing balance	**(189,382)**	(151,214)

The undistributed loss attributable to unitholders of $189,382,000 comprises the following:

- Since inception operating (profit)/loss after income tax of $57,790,000
- Since inception distributions to unitholders of $247,261,000 comprising:
  - Since inception income distributions of $78,416,000
  - Since inception returns of capital of $168,845,000
- Foreign currency differences on liquidation of subsidiary of $89,000

18 Derivative financial instruments

Cross currency swap contracts

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

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

Related debt security	Counter party	Contract date	Maturity date	Foreign currency	Foreign currency principal payable		AUD principal receivable		Floating interest rate payable	Floating interest rate receivable	Fair value	
					2015	2014	2015	2014	%p.a.	%p.a.	2015	2014
					'000	'000	$'000	$'000			$'000	$'000
Maher Terminals	Westpac	30-Sep-13	7-Jul-14	USD	n/a	20,000	n/a	21,229	USD-LIBOR-BBA + 4.25%	AUD-BBR-BBSW + 4.315%	n/a	(3)
											n/a	(3)

(1) The Maher Terminals cross currency swap was terminated in advance of its scheduled maturity of 30 June 2015 following the repayment of the Group's interest in Maher Terminals on 3 July 2014.

19 Fair value measurements

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

- Unlisted equity securities
- Derivative securities

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

(a) Fair value hierarchy

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

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

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

Recognised fair value measurements

The fair value of derivative securities is determined using valuation techniques. The process by which the fair values of derivative securities is determined is outlined in Note 2(i).

Derivative securities are included in Level 2 on the basis that the spot and forward interest rates and foreign exchange rates utilised to value these instruments are observable directly or indirectly.

Unlisted equity securities are included in Level 3 as there are no active markets for these securities. The process by which the fair value of unlisted equity securities is determined is outlined in Note 2(i).

As at 30 June 2015 there was no Group assets or liabilities measured and recognised at fair value.

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

2014

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

(ii) *Transfers between levels*

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

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

19 Fair value measurements (continued)

(b) Disclosed fair values

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

2015

	Unlisted equity securities
	$'000
Opening balance	**3,941**
Sale of securities	**(6,095)**
Net gain/(loss) recognised in profit or loss	**2,154**
Closing balance	**-**
Total unrealised gains or losses for the year included in the Consolidated Statement of Comprehensive Income for the financial assets and liabilities held at the end of the year	**(2,154)**

2014

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

(i) *Changes in valuation techniques*

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

19 Fair value measurements (continued)

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

The Group held no financial assets or liabilities at fair value at 30 June 2015.

The significant unobservable inputs used in level 3 fair value measurements for the year ended 30 June 2014 are summarised below. See (c) above for the valuation techniques adopted.

2014

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

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

(iii) *Valuation processes*

As at 30 June 2015, the Group had no financial assets or liabilities.

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

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

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

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

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

20 Financial risk management

(a) Market risk

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

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

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

(i) Credit risk

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

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

In prior year, credit risk was one of the major risks faced by the Group. It can be broken down in two main categories:

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

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

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

Historically, the Group has managed credit risk by a thorough due diligence process and careful selection of listed and unlisted debt securities. Derivative contracts and cash transactions were exposed to financial institutions with a long term credit rating of at least AA- (or its equivalent) from Moody’s and Standard & Poor’s.

Once a listed or unlisted security was acquired, the Responsible Entity maintained an active process of monitoring that security in order to ensure its continued performance, in line with expectations and the Group’s wider portfolio requirements. The Responsible Entity maintained an active dialogue with issuers and received regular reporting on performance. The reporting would typically include the provision of compliance certificates, management accounts and annual reports as well as any security updates via the annual reports to unitholders.

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

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

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

20 Financial risk management (continued)

(ii) Interest rate risk

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

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

Historically, the majority of the Group's investment portfolio was invested in debt securities which generate a floating rate of interest.

Where appropriate, the Group has the option of using interest rate derivatives to swap a fixed rate exposure to a margin above a floating rate.

(iii) Foreign exchange risk

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

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

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

The Group held no derivative securities as at 30 June 2015. The details of derivative securities held by the Group in the prior year, in respect of unlisted securities denominated in foreign currencies, are disclosed at Note 18.

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

	Exposures: EUR		**Exposures: GBP**		**Exposures: USD**	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**
Financial assets						
Cash and cash equivalents	-	2	-	2,412	-	287
Unlisted securities	-	-	-	14,313	-	21,288
	-	**2**	**-**	**16,725**	**-**	**21,575**
Financial liabilities						
Payables	-	-	**158**	32	-	-
Derivative securities - principal payable	-	-	-	-	-	21,288
	-	**-**	**158**	**32**	**-**	**21,288**
Net exposure	**-**	**2**	**(158)**	**16,693**	**-**	**287**

20 Financial risk management (continued)

(iv) Price risk

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

As at 30 June 2015, the Group has no financial instruments that would give rise to price risk.

The Group was exposed to price risk arising from movements in its unlisted equity security prices at 30 June 2014.

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

The Group did not hedge these short term fluctuations.

(v) Liquidity risk

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

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

To manage liquidity risk, the Group actively monitored cash and cash equivalents balances and would forecast operational cash flows and liabilities on a regular basis.

The Group has no financial liabilities at 30 June 2015. All the Group’s financial liabilities as at 30 June 2014 were due within 12 months.

	Less than 1 year		Totals	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Derivative securities				
Outflow (foreign currency principal payable)	-	(22,202)	-	(22,202)
Inflow (Australian dollar principal receivable)	-	22,199	-	22,199
	-	(3)	**-**	(3)

20 Financial risk management (continued)

(b) Summarised sensitivity analysis

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

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

The impact of a +/- 10% movement in foreign exchange rates has been selected for foreign currency sensitivity. In the current financial year, the Australian Dollar (AUD) depreciated 11.44% against the British Pound Sterling (GBP). In the prior financial year, the Australian Dollar (AUD) depreciated 9.03% against the British Pound Sterling (GBP) and appreciated 1.7% against the US Dollar (USD).

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

		Interest rate risk		**Foreign exchange risk**	
		-1.0%	**+1.0%**	**-10.0%**	**+10.0%**
2015	**Carrying Value $'000**	**Profit/(loss) $'000**	**Profit/(loss) $'000**	**Profit/(loss) $'000**	**Profit/(loss) $'000**
Financial assets:					
Cash and cash equivalents	11,611	(116)	116	-	-
Receivables	5	-	-	-	-
Financial liabilities:					
Payables	(138)	-	-	-	-
Current tax liabilities	(158)	-	-	(18)	14
Total increase/(decrease)		**(116)**	**116**	**(18)**	**14**

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

21 Related party transactions

Responsible entity

The Responsible Entity of Hastings High Yield Fund during the year ended 30 June 2015 was Hastings Funds Management Limited. Aurora Funds Management Limited replaced Hastings Funds Management Limited as Responsible Entity on 1 July 2015.

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

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

Transactions between the Group and Hastings Funds Management Limited and its related entities during the year ended 30 June 2015 are detailed below:

- Responsible Entity management fee expense: $114,410 (2014 - $273,841)
- Responsible Entity performance fee expense: $nil (2014 - $nil)
- Reimbursement of expenses paid to the Responsible Entity: $54,815 (2014 - $71,690)
- Interest income - cash and cash equivalents - Westpac: $206,062 (2014 - $299,885)
- Interest income - derivative securities - Westpac: $nil (2014 - $1,510,187)
- Interest expense - derivative securities - Westpac: $nil (2014 - $1,006,940)
- Bank fees - Westpac: $4,909 (2014 - $6,002)
- Distributions declared - Westpac: $1,085,570 (2014 - $168,690)

For further details in relation to management fees and performance fees refer to Notes 7 and 8.

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

- Cash and cash equivalents - Westpac: $11,611,118 (2014 - $9,182,790)
- Responsible Entity management fees payable: $20,080 (2014 - $66,037)
- Responsible Entity expense reimbursement payable: $nil (2014 - $nil)
- Interest receivable - derivative securities - Westpac: $nil (2014 - $372,247)
- Interest payable - derivative securities - Westpac : $nil (2014 - $241,269)
- Distributions payable - Westpac: $nil (2014 - $nil)

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

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

21 Related party transactions (continued)

Related party unitholdings - Hastings Funds Management Limited

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

2015 **Unitholder**	**Number of units held opening (Units)**	**Number of units acquired (Units)**	**Number of units disposed (Units)**	**Number of units held closing (Units)**	**Interest held closing (%)**
Other Westpac group entities	4,351,281	1,010,466	(1,922,149)	3,439,598	3.857
	4,351,281	**1,010,466**	**(1,922,149)**	**3,439,598**	**3.857**

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

Key management personnel - Hastings Funds Management Limited

(a) Directors

Alan Cameron (Chairman)
James Evans
Anthony Masciantonio
Andrew Day (Alternate Director to Anthony Masciantonio)
William Forde (Alternate Director to Alan Cameron and James Evans)

(b) Other key management personnel

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

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

Key management personnel compensation - Hastings Funds Management Limited

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

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

22 Parent entity financial information

(a) Summary financial information

	2015	2014
	$'000	$'000
Statement of Financial Position		
Total assets	**11,829**	49,824
Total liabilities	**510**	124
Net assets attributable to unitholders - liability:		
Issued units	**200,702**	200,702
Undistributed profit/(loss) attributable to unitholders	**(189,383)**	(151,002)
	11,319	49,700
Statement of Comprehensive Income		
Operating profit/(loss) before finance costs attributable to unitholders	**(11,782)**	2,344
Profit for the year	-	-
Total comprehensive income for the year	-	-

(b) Contingent assets and liabilities and commitments

2015

Letter of Financial Support Issued to Subsidiary

The Scheme has issued a letter of financial support dated 31August 2015 to its subsidiary entity, HHY International Holdings 1 Pty Ltd, undertaking that for so long as the HHY International Holdings 1 Pty Ltd is a wholly owned subsidiary of the Scheme, it intends to financially support HHY International Holdings 1 Pty Ltd to the extent of any shortfall in shareholders' equity resulting from a decrease in the carrying amount of unlisted securities from time to time.

There were no other outstanding contingent assets or liabilities or commitments as at 30 June 2015.

2014

Letter of Financial Support Issued to Subsidiary

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

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

23 Segment information

Operating segments

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

The Group had one reportable operating segment being the investment in unlisted debt and equity securities.

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

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

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

24 Earnings per unit

Earnings per unit

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

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

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

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

	2015	**2014**
Basic operating profit/(loss) after income tax and before costs attributable to unitholders per unit (cents per unit)	**(11.31)**	2.30
Earnings used in calculating basic operating profit/(loss) after income tax and before costs attributable to unitholders per unit ($'000)	**(11,657)**	2,366
Weighted average number of units on issue ('000)	**103,070**	103,070

25 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2015 and 30 June 2014.

26 Events after the reporting period

The Responsible Entity has since its appointment commenced the following:

On 7 July 2015 the Responsible Entity announced the commencement of a buy-back. The buy-back will allow the Scheme to buy back 10,307,037 units and commenced on 21 July 2015.

On 20 July 2015 the Responsible Entity announced an enhancement to the existing investment strategy, by adding investment strategies to include the ability to invest in listed Australian and international equities, unlisted Australian and international securities, options, convertible securities and other derivative securities.

Other than the matters outlined above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:
(i) the operations of the Scheme in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Scheme in future financial years.

The directors of the Responsible Entity declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Scheme will be able to its debts as and when they become due and payable;

(b) in the directors' opinion, the consolidated financial statements are in accordance with the *Corporations Act* 2001, including:

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

   (ii) giving a true and fair view of the consolidated Scheme's financial position as at 30 June 2015 and of its performance for the financial year ended on that date;

(c) the directors have been given the declarations required by s.295A of the *Corporations Act 2001.*

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

Simon Lindsay
Managing Director
31 August 2015

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

Report on the financial report

We have audited the accompanying financial report of Hastings High Yield Fund (the Scheme), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Hastings High Yield Fund (the consolidated entity). The consolidated entity comprises the Scheme and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Auditor's opinion

In our opinion, the financial report of Hastings High Yield Fund is in accordance with the *Corporations Act 2001,* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards including the Australian Accounting Interpretations and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Hastings High Yield Fund (the Scheme) for the year ended 30 June 2015 included on Aurora Funds Management's web site. The Scheme's directors are responsible for the integrity of Hastings High Yield Fund's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Elizabeth O'Brien

Elizabeth O'Brien
Partner

Melbourne
31 August 2015