

Palisade's Diversified Infrastructure Fund No.1

ARSN 106 369 779

Annual Financial Report - 30 June 2021

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Directors' report

The directors of Pinnacle Fund Services Limited, the Responsible Entity of Palisade's Diversified Infrastructure Fund No.1, present their report together with the financial report of Palisade's Diversified Infrastructure Fund No.1 (the "Scheme") for the year ended 30 June 2021.

Responsible Entity

The Responsible Entity of the Scheme is Pinnacle Fund Services Limited (ABN 29 082 494 362). The Responsible Entity's registered office and principal place of business is Level 19, 307 Queen Street, Brisbane, QLD 4000.

Directors

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

Mr. I Macoun
Mr. A Ihlenfeldt
Mr. C Kwok
Mr. A Whittingham

The Trustee also has a Compliance Committee consisting of one non-independent person and three independent persons. The committee's role is to oversee the compliance requirements of the Scheme operated by the Responsible Entity. The committee met four times during the financial year.

Principal activities

The Scheme invests in a diverse portfolio of infrastructure assets in Australia and aims to provide investors with stable long term capital growth and income. The Scheme comprises stapled units in PDIF1, PDIF2 and PDIF3. For every unit issued in PDIF1, one unit will be issued in PDIF2 and one unit will be issued in PDIF3. Units cannot be dealt with separately by investors.

The Scheme did not have any employees during the year.

There were no significant changes in the nature of the Scheme's activities during the year.

Review and results of operations

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

	2021	2020
Operating profit before finance costs attributable to unitholders (\$'000)	<u>43,018</u>	<u>22,987</u>
Cash distributions paid and payable (\$'000)	21,025	28,750

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant disruption throughout global and domestic markets. There is uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies.

From mid-January 2021, the situation with COVID-19 gradually improved and there has been a corresponding incline in valuations. State and Federal governments imposed numerous control measures, including quarantine-free travel with New Zealand and the vaccination process is underway with passenger numbers gradually recovering to pre-covid level. The Government measures largely brought the pandemic under control, however in July 2021 another outbreak of COVID-19 occurred with flight suspension imposed on airlines coming into effect in July 2021.

Directors' report (continued)

Review and results of operations (continued)

There has been a limited impact from COVID-19 on renewable energy assets, particularly those with long-term offtake agreements with investment grade counterparties. The renewables sector is also well-placed to help lead Australia's economic recovery from COVID-19 given the cost-competitiveness of renewable energy technology and the sector's contributions to job creation.

Gas pipelines assets have been unaffected by the COVID-19 impacts due to the take-or-pay nature of their Gas Transportation Agreements.

The on-going COVID-19 pandemic has not significantly increased the estimation uncertainty in the preparation of the Scheme's financial statements. A thorough consideration of potential COVID-19 impacts on carrying values of assets and liabilities, contracts and potential liabilities has been made, with no material impact to the financial statements.

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 6 of the annual financial report.

The value of the Scheme's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in note 2 of the annual financial report.

Significant changes in state of affairs

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

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

Matters subsequent to the end of the financial year

Except for the subsequent government actions relating to Coronavirus (COVID-19), the impacts of which on the Scheme cannot be determined at this time, there has been no matter or circumstance, which has arisen since 30 June 2021 which has significantly affected or which 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.

Environmental regulation

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

Fees paid to and interests held in the fund by the Responsible entity

Fees paid to the Responsible Entity out of Scheme property during the year are disclosed in note 11 of the annual financial report.

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

Directors' report (continued)

Indemnification and insurance of officers and auditors

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

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

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of a kind referred to in Class Order 2016/191 issued by Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

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

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



Director
Pinnacle Fund Services Limited

Sydney
22 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of Palisade's Diversified Infrastructure Fund No.1 for the year ended 30 June 2021, 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.

A handwritten signature in black ink, appearing to read 'Ben Woodbridge', written in a cursive style.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
22 September 2021

Palisade's Diversified Infrastructure Fund No.1
Statement of comprehensive income
For the year ended 30 June 2021

Statement of comprehensive income

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Investment income			
Distribution income		9,500	20,414
Dividend income		9,263	13,630
Interest income	3	3,346	3,332
Net (losses)/gains on financial instruments held at fair value through profit or loss		28,810	(8,709)
Other income		106	363
Total net investment income		<u>51,025</u>	<u>29,030</u>
Expenses			
Management and Performance fees	11	(7,019)	(4,958)
Other operating expenses	4	(933)	(896)
Finance costs		(55)	(189)
Total operating expenses		<u>(8,007)</u>	<u>(6,043)</u>
Operating profit for the year		<u>43,018</u>	<u>22,987</u>
Finance costs attributable to unitholders			
Distributions to unitholders	5	(21,025)	(28,750)
(Increase)/decrease in net assets attributable to unitholders	6	(21,993)	5,763
Profit for the year		<u>-</u>	<u>-</u>
Other comprehensive income		-	-
Total comprehensive income		<u>-</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Palisade's Diversified Infrastructure Fund No.1
Statement of financial position
As at 30 June 2021

Statement of financial position

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents		9,370	10,371
Trade and other receivables	10	7,626	3,090
Loans and other financial assets	9	42,486	34,486
Financial assets at fair value through profit or loss	7	510,147	461,064
Total assets		569,629	509,011
Liabilities			
Distributions payable to unitholders	5	8,400	10,250
Trade and other payables		4,479	1,830
Financial liabilities at fair value through profit or loss	8	-	1,141
Total liabilities (excluding net assets attributable to unitholders)		12,879	13,221
Net assets attributable to unitholders - liability	6	556,750	495,790

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or the end of the year.

Palisade's Diversified Infrastructure Fund No.1
Statement of cash flows
For the year ended 30 June 2021

Statement of cash flows

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities			
Dividend received		9,334	13,638
Distribution received		6,448	25,096
Interest received		1,958	3,005
Other income received		106	481
Management and performance fees paid		(5,068)	(6,263)
Other expenses paid		(402)	(386)
Purchase of financial instruments at fair value through P/L	7	(21,414)	(32,153)
Loan to Palisade Car Park Trust		-	(2,284)
Loan to Coffs Harbour Airport Holding Trust		(8,000)	-
Net cash (outflow)/inflow from operating activities	13	<u>(17,038)</u>	<u>1,134</u>
Cash flows from financing activities			
Proceeds from applications		38,967	32,153
Distributions paid to unitholders		(22,875)	(32,350)
Finance costs		(55)	(190)
Net cash inflow/(outflow) from financing activities		<u>16,037</u>	<u>(387)</u>
Net (decrease)/increase in cash and cash equivalents		(1,001)	747
Cash and cash equivalents at the beginning of the financial year		<u>10,371</u>	<u>9,624</u>
Cash and cash equivalents at the end of the financial year		<u>9,370</u>	<u>10,371</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 General Information

This annual financial report covers Palisade's Diversified Infrastructure Fund No.1 (the "Scheme") as an individual entity. The Scheme was constituted on 17 September 2003. The Scheme will terminate in accordance with the provisions of the Fund's Constitution (as amended). The Scheme is domiciled in Australia.

The Responsible Entity of the Scheme is Pinnacle Fund Services Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, 307 Queen Street, Brisbane, QLD 4000.

The annual financial report was authorised for issue by the directors of the Responsible Entity on 22 September 2021. The directors of the Responsible Entity have the power to amend and reissue the annual financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following policies.

(a) Basis of preparation

In the opinion of the Directors of the Responsible Entity, the Scheme is not a reporting entity because there are no users dependent on general purpose financial reports.

The special purpose financial report ("financial report") has been prepared for the purpose of satisfying the requirements of the Investment Management Agreement and the *Corporations Act 2001*. The Scheme is a for-profit unit trust for the purpose of preparing the financial statements.

The financial report has been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It contains the disclosures that are mandatory under the Accounting Standards and those considered necessary by the directors to meet the needs of the members.

The 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, financial liabilities held at fair value through profit or loss, loans receivable/payable and net assets attributable to unitholders.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The financial report is presented in Australian dollars.

(i) Basis of consolidation

The Scheme is an investment entity under the definition in AASB 10 Consolidated Financial Statements and, as such, does not consolidate any entities subject to its control. The Scheme does not hold a controlling interest in any of its underlying investments and therefore is not required to provide additional disclosures.

(ii) Use of estimates and judgement

The preparation of an annual financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Use of estimates and judgement (continued)

The fair value of financial assets that are not traded in an active market are determined using valuation techniques requiring management estimates and judgement, as described in note 2(c).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

COVID-19

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Scheme based on known information. This consideration extends to the nature of the services offered, customers and geographic regions in which the Scheme operates.

The airport industry has been severely impacted by COVID-19, with the situation gradually improving from mid-January 2021 and there has been a corresponding incline in valuations. From July 2021 another outbreak of COVID-19 occurred with flight suspension imposed on airlines coming into effect in July 2021. The fair value estimation of the Scheme's investment in airports is based on expected recovery trajectory of airline passenger numbers, and the speed of recovery is subject to an element of estimation uncertainty. The carrying value of the assets held at fair value are recorded in note 7.

(b) Accounting Standards issued but not applied

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period and have not been early adopted by the Scheme.

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities, and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The ability of certain for-profit private sector entities to prepare special purpose financial statements (SPFS) has been removed. These entities will be required to prepare a form of general-purpose financial statements (GPFS). The amendments (set out in *AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*) were approved by the AASB in March 2020. These amendments will work in conjunction with the new GPFS-Tier 2 SD standard, *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

Management are currently in the process of assessing the impacts of these standards on the Scheme but have elected not to early adopt the transition to these standards.

Both AASB 2020-2 and AASB 1060 will apply for financial reporting periods beginning on or after 1 July 2021, with early adoption permitted. However, both standards need to be applied at the same time.

Management have considered the impact of other accounting standards issued but not yet applied and assessed that they are not expected to have a material impact on the Scheme.

(c) Financial instruments

(i) Classification

The Scheme's investments comprise:

Financial instruments designated at fair value through profit or loss upon initial recognition.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification (continued)

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are unlisted equities, managed investment schemes and interest bearing securities.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

- Financial instruments held for trading
These include foreign currency forward contracts.
- Loans are classified as loans and other financial assets.

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the purchase contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset is derecognised where the right to receive cash flows from the asset have expired or the Scheme has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Scheme measures a financial asset at cost. The assets are subsequently remeasured to its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains / (losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a discounted cash flow valuation technique. If such a difference exists, the Scheme recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

Valuations of infrastructure assets are carried out by external parties. The external valuations are carried out by Deloitte Touche Tohmatsu, Ernst & Young, KPMG and Maven Libera. In line with the valuation policy, the external valuers are rotated periodically. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Measurement (continued)

Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Net assets attributable to unitholders

A request for redemption can be made provided it is made in a way approved by the Responsible Entity. The Responsible Entity may but is not obliged to allow a redemption of units. Members have no rights to redeem units unless otherwise provided for under the Constitution.

(e) Cash and cash equivalents

For the purpose of presentation in the 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. Bank overdrafts are shown as a liability on the statement of financial position.

(f) Investment income

Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities. Other changes in fair value for such instruments are recorded in accordance with the accounting policies described in note 2(c).

Dividend income is recognised on the ex-dividend date.

Distribution income is recognised when the Scheme is entitled to the income.

Other income is brought to account on an accruals basis.

Realised gains or losses are calculated as the difference between proceeds received from the sale of investments during the year (net of transaction costs) and their respective original costs. Unrealised gains or losses include all unrealised gains or losses recognised during the year on investments held at year end, adjusted for the reversal of previously recognised unrealised gains or losses on investments sold.

2 Summary of significant accounting policies (continued)

(g) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(h) Income tax

Under current legislation, the Scheme is not subject to income tax, provided the taxable income of the Scheme is fully distributed (i.e. unitholders are presently entitled to all of the income of the Scheme).

Realised net capital losses cannot be distributed to unitholders but are carried forward by the Scheme to be offset against any realised capital gains in future years.

The benefits of franking credits are passed on to unitholders, providing certain conditions are met.

(i) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders in cash and franking credits. The cash distributions are recognised in statement of comprehensive income as finance costs attributable to unitholders.

(j) Changes in net assets attributable to unitholders

Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as part of finance costs. The movements include undistributable income which may consist of undistributable unrealised changes in fair value of financial instruments held at fair value through profit or loss and derivative financial instruments; accrued income not yet assessable; expenses provided or accrued for which are not yet deductible; net capital losses; and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same period in which it becomes assessable for tax.

(k) Goods and Services Tax

The GST incurred on the costs of various services provided to the Scheme by third parties such as Responsible Entity's fees, has been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) hence Responsible Entity's fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(l) Foreign currency translation

Foreign currency transactions are translated into the functional currency being Australian dollars using the exchange rates prevailing at the date 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 statement of comprehensive income.

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. Translation differences on assets and liabilities carried at fair value are reported in statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

3 Interest income

	30 June 2021 \$'000	30 June 2020 \$'000
Interest income - cash deposits	2	26
Interest bearing securities	<u>3,344</u>	<u>3,306</u>
Total	<u>3,346</u>	<u>3,332</u>

4 Other expenses

	30 June 2021 \$'000	30 June 2020 \$'000
Remuneration of auditors	34	22
Valuation fees	587	532
Professional fees	124	83
Other expenses	<u>188</u>	<u>259</u>
Total	<u>933</u>	<u>896</u>

5 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2021 \$'000	30 June 2020 \$'000
Distributions		
Distributions paid - December	3,300	18,500
Distributions paid - April*	9,325	-
Distributions payable - June	<u>8,400</u>	<u>10,250</u>
	<u>21,025</u>	<u>28,750</u>

*The fund made a distribution in the form of Return of Capital (ROC) which was reinvested into Palisade's Diversified Infrastructure Fund No.3 (PADIF3).

6 Net assets attributable to unitholders

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

Further the Responsible Entity may vary the rights of a class of unit from time to time in accordance with the Constitution.

	30 June 2021 Units '000	30 June 2020 Units '000	30 June 2021 \$'000	30 June 2020 \$'000
Net assets attributable to unitholders				
Opening balance	514,545	482,211	495,790	469,400
Applications	39,644	32,334	38,967	32,153
Increase in net assets attributable to unitholders	-	-	21,993	(5,763)
Closing balance	554,189	514,545	556,750	495,790

As stipulated within the Scheme's Constitution, the Responsible Entity may issue different classes of units and divide issued units into different classes. They must determine the rights attached to a class of units when it issues a unit in the class or divides issued units into different classes and such rights will prevail over the provisions of the constitution to the extent of any inconsistency.

Further the Responsible Entity may vary the rights of a class of unit from time to time in accordance with the Constitution and the operating standards.

The Responsible Entity may also consolidate, divide or reclassify units as it deems appropriate.

7 Financial assets at fair value through profit or loss

	30 June 2021 \$'000	30 June 2020 \$'000
Financial assets at fair value through profit or loss		
Unlisted equities	305,001	247,951
Unlisted unit trusts	204,421	213,113
Foreign exchange forward contracts (Hawaiki)	725	-
	510,147	461,064
Total financial assets at fair value through profit or loss	510,147	461,064

- (i) During the current year, the scheme invested \$8.0m (2020: \$13.2m) into Palisade's Renewable Energy Fund 1 & 2, \$7.0m (2020: \$1.1m) into Palisade's Regional Infrastructure Fund 1 & 2 and \$4.5m (2020: \$17.9m) into Palisade Terminals Holding Trust.

8 Financial liabilities at fair value through profit or loss

	30 June 2021 \$'000	30 June 2020 \$'000
Forward foreign exchange contracts (Hawaiki)	-	1,141
	<u>-</u>	<u>1,141</u>

9 Loan and other financial assets

	30 June 2021 \$'000	30 June 2020 \$'000
Palisade Eastern Creek Holdings Trust - Unitholder loan	11,713	11,713
Palisade NQGP Holdings - Shareholder loan	9,630	9,630
Palisade Wind Holdings Pty Ltd - Shareholder loan	10,859	10,859
Coffs Harbour Airport Holding Trust Loan	8,000	-
Palisade Car Park Trust - Shareholder Loan	2,284	2,284
	<u>42,486</u>	<u>34,486</u>

During the current year, the scheme provided a shareholder loan of \$8.0m to Coffs Harbour Airport.

While shareholder loans are subject to the impairment requirements of AASB 9, the identified loss was immaterial. The carrying amount of the loans approximates their fair value.

10 Trade and other receivables

	30 June 2021 \$'000	30 June 2020 \$'000
Distribution/dividend receivable	4,784	1,803
Interest receivable	2,538	1,150
Other receivables	304	137
Total receivables	<u>7,626</u>	<u>3,090</u>

11 Related party transactions

Responsible Entity

The Responsible Entity of Palisade's Diversified Infrastructure Fund No.1 is Pinnacle Fund Services Limited (ABN 29 082 494 362).

The Scheme does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel.

Key management personnel

(a) Directors of the Responsible Entity

Key management personnel includes persons who were directors of Pinnacle Fund Services Limited at any time during the financial year as follows:

Mr. I Macoun
Mr. A Ihlenfeldt
Mr. C Kwok
Mr. A Whittingham

(b) Investment Manager

The investment manager of the Scheme is Palisade Investment Partners Ltd ("PIPL").

PIPL has responsibility to manage the Scheme in accordance with the Investment Management Agreement.

As at 30 June 2021 PIPL held 2,523,749 units (2020: 2,523,749) in the Scheme valued at \$2,535,611 (2020: \$2,431,885).

Key management personnel loan disclosure

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their related entities at any time during the reporting period.

Other transactions within the Scheme

No key management personnel have entered into a contract with the Scheme or the Responsible Entity since the end of the previous financial year and there were no contracts involving directors' interests subsisting at year end.

As at 30 June 2021, no directors or their related entities held units in the Scheme (2020: nil).

Key management personnel unitholdings

At 30 June 2021, no key management personnel held units in the Scheme (2020: nil).

There were no material balances involving key management personnel's interests in the Scheme at the reporting date.

11 Related party transactions (continued)

Management and performance fees

Management and performance fees are calculated in accordance with the Scheme's Constitution.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Scheme and the Responsible Entity were as follows:

	30 June 2021	30 June 2020
	\$	\$
Management and Responsible Entity fees paid and payable directly by the Scheme	4,276,148	4,563,562
Performance fees paid and payable directly by the Scheme	<u>2,742,569</u>	<u>854,454</u>
	<u>7,018,717</u>	<u>5,418,016</u>
Fees payable to the Fund Manager and Responsible Entity as at reporting date (included in sundry creditors and accruals)	4,014,858	1,595,215

12 Remuneration of auditors

During the year the following fees were paid or payable by the Scheme for services provided by the auditor of the Scheme; PricewaterhouseCoopers.

	30 June 2021	30 June 2020
	\$	\$
Audit and other assurance services		
Audit	21,808	21,808
Tax services	<u>5,820</u>	<u>5,820</u>
Total remuneration for audit and audit related services	<u>27,628</u>	<u>27,628</u>

13 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	30 June 2021 \$'000	30 June 2020 \$'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit for the year	43,018	22,987
(Increase)/Decrease in distributions receivable	(2,981)	4,690
(Increase) in interest receivable	(1,388)	(327)
(Increase)/Decrease in other receivables	(167)	118
Increase/(Decrease) in sundry creditors and accruals	2,649	(796)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(28,810)	8,709
Purchase of financial instruments at fair value through profit or loss	(21,414)	(32,153)
Loan to Palisade Car Park Trust	-	(2,284)
Loan to Coffs Harbour Airport Holding Trust	(8,000)	-
Finance costs	55	190
Net cash (outflow) from operating activities	(17,038)	1,134

14 Events occurring after the reporting period

Except for the above and subsequent government actions relating to Coronavirus (COVID-19), the impacts of which on the Scheme cannot be determined at this time, no significant events have occurred since the reporting date which would have an impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Scheme for the year ended on that date.

15 Contingent assets, liabilities and commitments

The Scheme has entered into Equity Commitment Deeds to subscribe for additional equity of \$54.8m in connection with its investment in the Palisade Gateway Holdings Trust 1. The trust acquired a long term lease of the Sunshine Coast Airport during the prior year and will contribute towards the construction of a new 2.45km runway and apron expansion that is scheduled for completion in 2022. The Scheme has sufficient uncalled funding commitments to meet these obligations.

Directors' declaration

In the opinion of the directors of Pinnacle Fund Services Limited, the Responsible Entity of Palisade's Diversified Infrastructure Fund No.1:

- (a) the Scheme is not a reporting entity;
- (b) the financial statements and notes, set out on pages 6 to 20, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Scheme as at 30 June 2021 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in note 2; and
 - (ii) complying with Australian Accounting Standards, other mandatory professional reporting requirements to the extent described in note 2 and the *Corporations Regulations 2001*; and
- (c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable

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



Sydney
22 September 2021



Independent auditor's report

To the members of Palisade's Diversified Infrastructure Fund No.1

Our opinion

In our opinion:

The accompanying financial report of Palisade's Diversified Infrastructure Fund No.1 (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards to the extent described in Note 2 and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the declaration of the Directors of the Responsible Entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors of the Responsible Entity's financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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may not be suitable for another purpose. Our report is intended solely for Palisade's Diversified Infrastructure Fund No.1 and its members and should not be used by parties other than Palisade's Diversified Infrastructure Fund No.1 and its members. Our opinion is not modified in respect of this matter.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors of the Responsible Entity's responsibility also includes such internal control as the directors of the Responsible Entity determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Ben Woodbridge'.

Ben Woodbridge
Partner

Brisbane
22 September 2021