

# **Palisade's Diversified Infrastructure Fund No.1**

ARSN 106 369 779

## **Annual Financial Report - 30 June 2020**

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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 2020.

### 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 (Appointed, 5 August 2019)  
Mr. T O'Callaghan (Resigned date 5 August 2019)

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 Fund 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 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:

	<b>2020</b>	2019
Operating profit before finance costs attributable to unitholders (\$'000)	<u><b>22,987</b></u>	<u>34,864</u>
Cash distributions paid and payable (\$'000)	<b>28,750</b>	22,300

## **Directors' report (continued)**

### **Review and results of operations (continued)**

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.

The airport industry has been severely impacted, and there has been a corresponding decline in valuations. From mid-January 2020, there has been a significant decrease in passenger numbers, with flight suspensions imposed on airlines coming into effect in March 2020.

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.

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.

### **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 2020 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.

## Directors' report (continued)

### 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.

The interests in the Scheme held by the Responsible Entity as at the end of the financial year are disclosed in note 11 of the annual financial report.

### 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 2020



## *Auditor's Independence Declaration*

As lead auditor for the audit of Palisade's Diversified Infrastructure Fund No.1 for the year ended 30 June 2020, 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 2020

**Palisade's Diversified Infrastructure Fund No.1**  
**Statement of comprehensive income**  
**For the year ended 30 June 2020**

**Statement of comprehensive income**

	Notes	30 June 2020 \$'000	30 June 2019 \$'000
<b>Investment income</b>			
Distribution income		20,414	12,731
Dividend income		13,630	11,963
Interest income	3	3,332	3,682
Net (losses)/gains on financial instruments held at fair value through profit or loss		(8,709)	12,396
Other income		363	308
<b>Total net investment income</b>		<u>29,030</u>	<u>41,080</u>
<b>Expenses</b>			
Management and Performance fees	11	(5,418)	(5,630)
Other operating expenses	4	(436)	(317)
Finance costs		(189)	(269)
<b>Total operating expenses</b>		<u>(6,043)</u>	<u>(6,216)</u>
<b>Operating profit for the year</b>		<u>22,987</u>	<u>34,864</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	5	(28,750)	(22,300)
(Increase)/decrease in net assets attributable to unitholders	6	5,763	(12,564)
<b>Profit for the year</b>		<u>-</u>	<u>-</u>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<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 2020**

**Statement of financial position**

	Notes	<b>30 June 2020 \$'000</b>	30 June 2019 \$'000
<b>Assets</b>			
Cash and cash equivalents		<b>10,371</b>	9,624
Trade and other receivables	10	<b>3,090</b>	7,571
Loans and other financial assets	9	<b>34,486</b>	32,202
Financial assets held at fair value through profit or loss	7	<b>461,064</b>	437,232
<b>Total assets</b>		<b>509,011</b>	486,629
<b>Liabilities</b>			
Distributions payable to unitholders	5	<b>10,250</b>	13,850
Trade and other payables		<b>1,830</b>	2,626
Financial liabilities held at fair value through profit or loss	8	<b>1,141</b>	753
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>13,221</b>	17,229
<b>Net assets attributable to unitholders - liability</b>	6	<b>495,790</b>	469,400

*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 2020**

**Statement of cash flows**

	Notes	30 June 2020 \$'000	30 June 2019 \$'000
<b>Cash flows from operating activities</b>			
Dividend received		13,638	12,334
Distribution received		25,096	9,290
Interest received		3,005	3,550
Other income received		481	474
Management and performance fees paid		(6,263)	(7,939)
Other expenses paid		(386)	(248)
Purchase of financial instruments held at fair value through P/L	7	(32,153)	(29,991)
Loan to Palisade Car Park Trust		(2,284)	-
<b>Net cash (outflow)/inflow from operating activities</b>	13	<u>1,134</u>	<u>(12,530)</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications		32,153	28,674
Distributions paid to unitholders		(32,350)	(15,857)
Finance costs		(190)	(269)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(387)</u>	<u>12,548</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>747</b>	<b>18</b>
Cash and cash equivalents at the beginning of the financial year		<u>9,624</u>	<u>9,606</u>
<b>Cash and cash equivalents at the end of the financial year</b>		<u><b>10,371</b></u>	<u><b>9,624</b></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 2020. 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.

#### *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.

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.

## 2 Summary of significant accounting policies (continued)

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

#### 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, and there has been a corresponding decline in valuations. From mid-January 2020, there has been a significant decrease in passenger numbers, with flight suspensions imposed on airlines coming into effect in March 2020. 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 2020 reporting period and have not been early adopted by the Fund.

*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 Fund 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 Fund.

### (c) Financial instruments

#### (i) Classification

The Scheme's investments comprise:

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

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.

## 2 Summary of significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (i) Classification (continued)

- 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.

#### 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

## 2 Summary of significant accounting policies (continued)

### (c) Financial instruments (continued)

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.

### (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.

## 2 Summary of significant accounting policies (continued)

### (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) 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.

### (k) 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 2020 \$'000	30 June 2019 \$'000
Interest income - cash deposits	26	386
Interest bearing securities	<u>3,306</u>	<u>3,296</u>
<b>Total</b>	<u><b>3,332</b></u>	<u><b>3,682</b></u>

#### 4 Other expenses

	30 June 2020 \$'000	30 June 2019 \$'000
Remuneration of auditors	22	22
Professional fees	155	132
Other expenses	259	163
<b>Total</b>	<u>436</u>	<u>317</u>

#### 5 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Distributions</b>		
Distributions paid - December	18,500	8,450
Distributions payable - June	<u>10,250</u>	<u>13,850</u>
	<u>28,750</u>	<u>22,300</u>

#### 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 2020 Units '000	30 June 2019 Units '000	30 June 2020 \$'000	30 June 2019 \$'000
<b>Net assets attributable to unitholders</b>				
Opening balance	482,211	452,156	469,400	428,162
Applications	32,334	30,055	32,153	28,674
Increase in net assets attributable to unitholders	-	-	<u>(5,763)</u>	<u>12,564</u>
<b>Closing balance</b>	<u>514,545</u>	<u>482,211</u>	<u>495,790</u>	<u>469,400</u>

## 6 Net assets attributable to unitholders (continued)

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.

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

## 7 Financial assets held at fair value through profit or loss

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Designated at fair value through profit or loss</b>		
Unlisted equities	247,951	243,760
Unlisted unit trusts	<u>213,113</u>	<u>193,472</u>
	<u>461,064</u>	<u>437,232</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>461,064</u>	<u>437,232</u>

- (i) During the current year, the scheme invested \$13.2m (2019: \$2.7m) into Palisade Renewable Energy Fund 1 & 2, \$1.1m (2019: \$0.6m) into Palisade's Regional Infrastructure Fund 1 & 2 and \$17.9m (2019: \$nil) into Palisade Terminal Trust.

## 8 Financial liabilities at fair value through profit or loss

	30 June 2020 \$'000	30 June 2019 \$'000
Forward foreign exchange contracts (Hawaiki)	<u>1,141</u>	<u>753</u>
	<u>1,141</u>	<u>753</u>

## 9 Loan and other financial assets

	30 June 2020 \$'000	30 June 2019 \$'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
Palisade Car Park Trust - Shareholder Loan	<u>2,284</u>	<u>-</u>
	<u>34,486</u>	<u>32,202</u>

## 9 Loan and other financial assets (continued)

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 2020 \$'000	30 June 2019 \$'000
Distribution/dividend receivable	1,803	6,493
Interest receivable	1,150	823
Other receivables	137	255
<b>Total receivables</b>	<u>3,090</u>	<u>7,571</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 (Appointed, 5 August 2019)  
Mr. T O'Callaghan (Resigned date 5 August 2019)

#### (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 2020 PIPL held 2,523,749 units (2019: 2,495,487) in the Scheme valued at \$2,431,885 (2019: \$2,429,107).

## 11 Related party transactions (continued)

### 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

Apart from those details disclosed in this note, 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 2020, no directors or their related entities held units in the Scheme (2019: nil).

The Scheme held equity investments in the following schemes which are also managed by Palisade Investment Partners Limited:

### 30 June 2020

	Number of securities held Units	Fair value of investment \$	Interest held* (%)	Number of securities acquired Units	Distributions/ dividends received/ receivable by the Scheme \$
<b>Companies</b>					
Palisade Ports Pty Ltd	36,382,500	69,395,981	24.8	-	-
Palisade TGP Holdings Pty Ltd	35,000,000	36,667,750	16.7	-	2,500,050
Palisade Wind Holdings Pty Ltd	14,211,493	7,363,818	25.5	-	-
Palisade NQGP Holdings Pty Ltd	213,565,844	27,165,575	15.7	-	-
<b>Unlisted unit trusts</b>					
Palisade's Australian Social Infrastructure Funds 1 & 2	25,122,883	28,712,789	21.0	-	11,973,099
Palisade Eastern Creek Holding Trust	7,275,000	7,881,007	24.3	-	772,363
Palisade Rail Fund	10,400,226	-	50.0	-	-
Palisade Gateway Holding Trust 1 & 2	4,176,960	11,376,367	23.8	-	1,476,342
Palisade's Regional Infrastructure Funds 1 & 2	13,497,341	12,269,473	50.0	1,272,695	281,500
Palisade Terminal Holdings Trust	46,457,713	50,448,430	8.8	17,012,598	1,042,758
Palisade Carparks Trust	34,625,926	36,132,153	39.4	-	3,490,440
Palisade's Renewable Energy Funds 1 & 2	58,508,528	65,589,230	25.2	11,973,287	1,265,296

## 11 Related party transactions (continued)

30 June 2019

	Number of securities held Units	Fair value of investment \$	Interest held* (%)	Number of securities acquired Units	Distributions/ dividends received/ receivable by the Scheme \$
<b>Companies</b>					
Palisade Ports Pty Ltd	36,382,500	70,964,066	24.8	-	-
Palisade TGP Holdings Pty Ltd	35,000,000	33,234,250	16.7	-	2,500,049
Palisade Wind Holdings Pty Ltd	14,211,493	5,919,718	25.5	-	-
Palisade NQGP Holdings Pty Ltd	213,565,844	24,730,925	15.7	-	-
<b>Unlisted unit trusts</b>					
Palisade's Australian Social Infrastructure Funds 1 & 2	25,122,883	38,326,052	29.8	5,872,254	2,567,404
Palisade Eastern Creek Holding Trust	7,275,000	9,845,528	24.3	-	1,092,463
Palisade Rail Fund	10,400,226	-	50.0	-	-
Palisade Gateway Holding Trust 1 & 2	4,176,960	13,062,607	23.8	477,375	2,351,734
Palisade's Regional Infrastructure Funds 1 & 2	12,224,646	10,324,484	50.0	539,991	350,001
Palisade Terminal Holdings Trust	29,445,115	30,016,350	24.8	-	140,276
Palisade Carparks Trust	34,625,926	40,228,401	39.4	-	681,523
Palisade's Renewable Energy Funds 1 & 2	46,535,241	50,965,397	35.3	2,383,826	5,424,680

\*Interest held (%) is reflective of the Scheme's ownership in the underlying assets.

The above does not include any investment in the form of shareholder loans between related parties.

### Key management personnel unitholdings

At 30 June 2020, no key management personnel held units in the Scheme (2019: nil).

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

**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:

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Management and Responsible Entity fees paid and payable directly by the Scheme	<b>4,563,562</b>	4,204,992
Performance fees paid and payable directly by the Scheme	<b>854,454</b>	1,424,930
	<b><u>5,418,016</u></b>	<u>5,629,922</u>
Fees payable to the Fund Manager and Responsible Entity as at reporting date (included in sundry creditors and accruals)	<b><u>1,595,215</u></b>	<u>2,437,659</u>

**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.

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Audit and other assurance services</b>		
Audit	<b>21,808</b>	21,808
Tax services	<b>5,820</b>	4,300
<b>Total remuneration for audit and audit related services</b>	<b><u>27,628</u></b>	<u>26,108</u>

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

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit for the year	22,987	34,864
Decrease/(Increase) in distributions receivable	4,690	(3,069)
(Increase) in interest receivable	(327)	(132)
Decrease in other receivables	118	165
(Decrease) in sundry creditors and accruals	(796)	(2,240)
Net losses/(gains) on financial instruments held at fair value through profit or loss	8,709	(12,396)
(Purchase) of financial instruments held at fair value through profit or loss	(32,153)	(29,991)
Loan to Palisade Car Park Trust	(2,284)	-
Finance costs	190	269
<b>Net cash (outflow) from operating activities</b>	<b>1,134</b>	<b>(12,530)</b>

### 14 Events occurring after the reporting period

Except for the 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 2020 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 fund has sufficient uncalled funding commitments to meet these obligations.

The Scheme had provided a \$29m guarantee to Palisade's Renewable Energy Fund 2 (PREF2) for the construction of the Granville Harbour Wind Farm. This guarantee was provided via a letter of credit. The Scheme received a credit support fee for the provision of this letter of credit. As a result of the equity injection, this letter of credit has been reduced to nil and subsequently cancelled.

## 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 5 to 21, 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 2020 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 2020



## *Independent auditor's report*

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

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### *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 2020 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 2020
- 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 a summary of significant accounting policies
- the declaration of the Directors of the Responsible Entity.

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### *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 and 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.

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### *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 may not be suitable for another purpose. Our report is intended solely for Palisade's Diversified

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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.

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### *Other information*

The Directors of the Responsible Entity is responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 30 June 2020, 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.

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### *Responsibilities of the Directors of the Responsible Entity for the financial report*

The Directors of the Responsible Entity is 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 is 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.

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### *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](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 2020