

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

ARSN 106 369 779

## **Annual report - 30 June 2022**

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## Annual report - 30 June 2022

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These financial statements cover Palisade's Diversified Infrastructure Fund No.1 as an individual entity.

The Responsible Entity of Palisade's Diversified Infrastructure Fund No. 1 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' 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 "Trust") for the year ended 30 June 2022.

### **Principal activities**

The Trust invests in infrastructure assets in Australia and aims to provide investors with stable long term capital growth and income. This is achieved through investments in unlisted shares, unlisted convertible notes, unlisted unit trusts and other securities. The Trust comprises stapled units in Palisades Diversified Infrastructure Fund No. 1 ("PDIF1"), Palisades Diversified Infrastructure Fund No. 2 ("PDIF2") and Palisades Diversified Infrastructure Fund No. 3 ("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 Trust did not have any employees during the year.

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

### **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 Responsible Entity also has a Compliance Committee consisting of one non-external member and three external members. The committee's role is to oversee the compliance requirements of the Trust.

The committee met four times during the year.

### **Review and results of operations**

There have been no significant changes to the operations of the Trust since the previous financial period. The Trust continued to invest in accordance with target asset allocations as set out in the governing documents of the Trust.

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

	<b>Year ended</b>	
	<b>30 June</b>	30 June
	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Operating profit before finance costs attributable to unitholders	<b>51,480</b>	43,018
Cash distributions paid and payable	<b>33,650</b>	21,025
Distributions (cents per unit)	<b>5.25</b>	3.82

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

### **Significant changes in state of affairs**

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

### **Matters subsequent to the end of financial year**

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

### **Likely developments and expected results of operations**

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

### **Indemnification and insurance of officers and auditors**

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

The auditors of the Trust are not indemnified out of the assets of the Trust.

### **Fees paid to and interests held in the Trust by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of the Trust's property during the year are disclosed in note 14 to the financial statements.

No fees were paid out of the Trust's property to the directors of the Responsible Entity during the year.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 14 to the financial statements.

### **Interests in the Trust**

The movement in units on issue in the Trust during the year is disclosed in note 13 to the financial statements.

The value of the Trust's assets and liabilities is disclosed in 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 Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

## Directors' report (continued)

### Rounding of amounts to the nearest thousand dollars

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### Auditor's independence declaration

A copy of the Auditor's independence declaration is set out on page 5.

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



Director  
Pinnacle Fund Services Limited

Sydney  
21 September 2022



## Auditor's Independence Declaration

As lead auditor for the audit of Palisade's Diversified Infrastructure Fund No.1 for the year ended 30 June 2022, 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'.

Ben Woodbridge  
Partner  
PricewaterhouseCoopers

Brisbane  
21 September 2022

**Palisade's Diversified Infrastructure Fund No.1**  
**Statement of comprehensive income**  
**For the year ended 30 June 2022**

**Statement of comprehensive income**

		<b>Year ended</b>	
		<b>30 June</b>	30 June
		<b>2022</b>	2021
	Notes	<b>\$'000</b>	\$'000
<b>Investment income</b>			
Dividend/distribution income		<b>56,343</b>	18,763
Interest income from financial assets at amortised cost		<b>4,451</b>	3,346
Net (losses)/gains on financial instruments held at fair value through profit or loss	4	<b>(651)</b>	28,810
Other income		<u>-</u>	<u>106</u>
<b>Total net investment income</b>		<u><b>60,143</b></u>	<u>51,025</u>
<b>Expenses</b>			
Management and Performance fees	14	<b>(8,011)</b>	(7,019)
Other operating expenses		<b>(652)</b>	(933)
Finance costs		<u>-</u>	<u>(55)</u>
<b>Total operating expenses</b>		<u><b>(8,663)</b></u>	<u>(8,007)</u>
<b>Operating profit for the year</b>		<u><b>51,480</b></u>	<u>43,018</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	6	<b>(33,650)</b>	(21,025)
(Increase)/decrease in net assets attributable to unitholders	13	<u><b>(17,830)</b></u>	<u>(21,993)</u>
<b>Profit for the year</b>		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><b>-</b></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 2022**

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**Statement of financial position**

		<b>As at</b>	
		<b>30 June</b>	30 June
		<b>2022</b>	2021
	Notes	<b>\$'000</b>	\$'000
<b>Assets</b>			
Cash and cash equivalents	7	<b>37,262</b>	9,370
Receivables	10	<b>5,924</b>	7,626
Loans and other financial assets	9	<b>42,486</b>	42,486
Financial assets at fair value through profit or loss	8	<b>626,973</b>	510,147
<b>Total assets</b>		<b><u>712,645</u></b>	<u>569,629</u>
<b>Liabilities</b>			
Distributions payable to unitholders	6	<b>30,650</b>	8,400
Loan payable	11	<b>915</b>	-
Payables	12	<b>4,682</b>	4,479
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b><u>36,247</u></b>	<u>12,879</u>
<b>Net assets attributable to unitholders - liability</b>	13	<b><u>676,398</u></b>	<u>556,750</u>

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



**Palisade's Diversified Infrastructure Fund No.1**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**

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**Statement of changes in equity**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income for the financial year</b>	-	-
Transactions with unitholders	-	-
<b>Total equity at the end of the financial year</b>	-	-

Under AASB 132 '*Financial instruments: Presentation*', the net assets attributable to unitholders is classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Palisade's Diversified Infrastructure Fund No.1**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

**Statement of cash flows**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	<b>18,930</b>	-
Purchase of financial instruments at fair value to profit or loss	<b>(136,407)</b>	(21,414)
Dividend/distribution income received	<b>59,351</b>	15,782
Interest received	<b>2,870</b>	1,958
Other income received	<b>275</b>	106
Management and performance fees paid	<b>(7,878)</b>	(5,068)
Other expenses paid	<b>(582)</b>	(402)
Loan from Palisade's Diversified Infrastructure Fund No.3	<b>915</b>	-
Loan to Coffs Harbour Airport Holding Trust	-	(8,000)
<b>Net cash outflow from operating activities</b>	<b>15 (62,526)</b>	(17,038)
<b>Cash flows from financing activities</b>		
Proceeds from applications	<b>101,818</b>	38,967
Distributions paid to unitholders	<b>(11,400)</b>	(22,875)
Finance costs	-	(55)
<b>Net cash inflow from financing activities</b>	<b>90,418</b>	16,037
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>27,892</b>	(1,001)
Cash and cash equivalents at the beginning of the financial year	<b>9,370</b>	10,371
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7 37,262</b>	9,370

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

## Notes to the financial statements

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## **1 General information**

This annual financial report covers Palisade's Diversified Infrastructure Fund No.1 (the "Trust") as an individual entity. The Trust is domiciled in Australia.

The Responsible Entity of the Trust is Pinnacle Fund Services Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, 307 Queen Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

The Administrator of the Trust is Citigroup Pty Limited who were appointed 4 October 2021.

The financial statements were authorised for issue by the directors on 21 September 2022. The directors of the Responsible Entity have the power to amend and reissue the financial statements after they have been issued.

The Trust is a registered managed investment Trust domiciled in Australia.

The Trust has adopted 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 Trust has replaced Special Purpose financial statements with General Purpose financial statements commencing from the year ended 30 June 2022.

## **2 Summary of significant accounting policies**

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

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Simplified Disclosures. Palisade's Diversified Infrastructure Fund No.1 is a for-profit unit Trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders.

#### *(i) New and amended standards adopted by the Trust*

The Trust has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021:

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

The amendments listed above did not have any impact on the Trust's accounting policies and did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### *(ii) New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Trust.

## 2 Summary of significant accounting policies (continued)

### (b) Basis of consolidation

The Trust 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 Trust does not hold a controlling interest in any of its underlying investments and therefore is not required to provide additional disclosures.

### (c) Financial instruments

#### (i) Classification

The Trust's financial Instruments comprise:

- Unlisted equity securities
- Preference shares
- Loans and other financial assets.

The Trust classifies its financial instruments in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial instruments and the contractual terms of the cash flows.

The Trust's portfolio of financial assets other than loans is managed and its performance is evaluated on a fair value basis in accordance with the Trust's documented investment strategy. The Trust uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Trust's policy is for the Trustee to evaluate the information about these financial assets on a fair value basis together with other related financial information.

#### (ii) Recognition/derecognition

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

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Trust has transferred substantially all risks and rewards of ownership.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the year the asset is derecognised as Net gains/(losses) on financial instruments held at fair value through profit or loss.

#### (iii) Measurement

##### *Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately in the statement of comprehensive income. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at year end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend income.

## 2 Summary of significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (iii) Measurement (continued)

##### *Financial assets and liabilities at fair value through profit or loss (continued)*

Valuations of infrastructure assets are carried out by external parties. The external valuations experts are carried out by external valuation experts. 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 other financial assets*

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. The Trust assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

##### *Loans payable*

Loans are initially recognised at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loans are recognised as transaction costs.

#### (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

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unitholders in accordance with the Trust Deed.

The units can be put back to the Trust at any time for cash based on the redemption price, which is equal to a proportionate share of the Trust's net asset value attributable to the unitholders, less any applicable transaction costs.

The units are carried at the redemption amount that is payable at balance sheet date if the unitholder exercises the right to put the unit back to the Trust. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Trust's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and it is not a contract settled in the Trust's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

## 2 Summary of significant accounting policies (continued)

### (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.

### (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 Trust 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 Trust is not subject to income tax, provided the taxable income of the Trust is fully distributed (i.e. unitholders are presently entitled to all of the income of the Trust).

Realised net capital losses cannot be distributed to unitholders but are carried forward by the Trust 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 Trust's Constitution, the Trust 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) Increase/(decrease) 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.

## 2 Summary of significant accounting policies (continued)

### (k) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Trust's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Trust competes for Trusts and is regulated. The Australian dollar is also the Trust's presentation currency.

#### (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 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 the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

### (l) Receivables

Receivables include accrued income, application monies receivable and Reduced Input Tax Credits ("RITC") refund. Receivables are measured at their nominal amounts. Amounts are generally received within 30 days of being accrued for. Given the short term nature of most receivables, the nominal amount approximates fair value.

### (m) Payables

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

### (n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as audit fees, custodial services and investment management fees have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, custodial 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.

### (o) Use of estimates

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 3. 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)

### (p) Rounding of amounts

The Trust is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

## 3 Fair value measurements

The Trust measures and recognises the below financial assets and liabilities at fair value through profit or loss on a recurring basis.

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

The Trust values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Trust relies on information provided by independent pricing services for the valuation of its investments.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

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.

For other pricing models inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

## 4 Net gains/(losses) on financial instruments at fair value through profit or loss

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
<b>Financial assets</b>		
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	9,248	29,460
Net realised* gain/(loss) on financial assets at fair value through profit or loss	<u>(9,899)</u>	<u>(649)</u>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<u><b>(651)</b></u>	<u><b>28,811</b></u>

\*Realised gains and losses are recorded using the historical cost information.

## 5 Auditor's remuneration

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

	Year ended	
	30 June 2022	30 June 2021
	\$	\$
<b>PricewaterhouseCoopers Australian firm</b>		
<b><i>Audit and other assurance service</i></b>		
Audit and review of financial statements	31,075	21,808
Audit of compliance plan	3,350	-
<b>Total remuneration of audit services</b>	<b>34,425</b>	<b>21,808</b>
<b><i>Non-audit services</i></b>		
Taxation compliance services	7,770	5,820
<b>Total remuneration for non-audit services</b>	<b>7,770</b>	<b>5,820</b>
<b>Total remuneration for PricewaterhouseCoopers</b>	<b>42,195</b>	<b>27,628</b>

The fees for audit and non-audit services are paid by the Investment Manager out of the management fee that they earn.

## 6 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2022	30 June 2021
<b>Distribution</b>	<b>\$'000</b>	<b>\$'000</b>
Distributions paid - December	3,000	3,300
Distributions paid - April*	-	9,325
Distributions payable - June	30,650	8,400
	<b>33,650</b>	<b>21,025</b>

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

## 7 Cash and cash equivalents

	As at	
	30 June 2022	30 June 2021
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	37,362	9,416
<b>Total cash and cash equivalents</b>	<b>37,362</b>	<b>9,416</b>

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

	As at	
	30 June 2022	30 June 2021
	\$'000	\$'000
Unlisted equity securities	623,748	506,922
Preference shares	3,225	3,225
<b>Total financial assets at fair value through profit or loss</b>	<b>626,973</b>	<b>510,147</b>

## 9 Loans and other financial assets

	As at	
	30 June 2022	30 June 2021
	\$'000	\$'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	8,000
Palisade Car Park Trust - Shareholder Loan	2,284	2,284
	<b>42,486</b>	<b>42,486</b>

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

## 10 Receivables

	As at	
	30 June 2022	30 June 2021
	\$'000	\$'000
Distribution/dividend receivable	1,776	4,784
Interest receivable	4,119	2,538
Other receivables	29	304
<b>Total receivables</b>	<b>5,924</b>	<b>7,626</b>

## 11 Loan payable

	As at	
	30 June 2022	30 June 2021
	\$'000	\$'000
Palisade's Diversified Infrastructure Fund No. 3	915	-
	<b>915</b>	<b>-</b>

During the year the Fund has drawn down loan of \$915,118 (2021: \$nil) from Palisade's Diversified Infrastructure Fund No. 3. Repayment of loan by the Fund to Palisade's Diversified Infrastructure Fund No.3 was \$nil (2021: \$nil).

## 12 Payables

	<b>As at</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued expenses	<u>4,682</u>	<u>4,479</u>
<b>Total payables</b>	<u><b>4,682</b></u>	<u><b>4,479</b></u>

## 13 Net assets attributable to unitholders

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

	<b>As at</b>			
	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>Units</b>	<b>Units</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Net assets attributable to unitholders</b>				
Opening balance	<b>554,189</b>	514,545	<b>556,750</b>	495,790
Applications	<b>96,285</b>	39,644	<b>101,818</b>	38,967
Distributions paid and payable	-	-	<b>(33,650)</b>	-
Profit/(loss) for the year	-	-	<b>51,480</b>	21,993
Closing balance	<u><b>650,474</b></u>	<u>554,189</u>	<u><b>676,398</b></u>	<u>556,750</u>

As stipulated within the Trust'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.

## 14 Related party transactions

### Responsible Entity

The Responsible Entity of Palisade's Diversified Infrastructure Fund No.1 is Pinnacle Fund Services Limited (ABN 48 082 494 362).

Pinnacle Investment Management Limited is the parent company of Pinnacle Fund Services Limited. Pinnacle Investment Management Group Limited is the ultimate holding company of Pinnacle Fund Services Limited.

Palisade Investment Partners Limited is the Investment Manager of the Fund.

### Key management personnel

#### Directors

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

## 14 Related party transactions (continued)

### Investment Manager

The investment manager of the Trust is Palisade Investment Partners Ltd ("PIPL"). PIPL has responsibility to manage the Trust in accordance with the Investment Management Agreement.

### Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly during the financial year.

### Key management personnel loan disclosure

The Trust 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 Trust

No key management personnel have entered into a contract with the Trust 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 2022, no directors or their related entities held units in the Trust (2021: nil).

### Management fees and performance fees

Management and performance fees are calculated in accordance with the Trust'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 Trust and the Responsible Entity were as follows:

	30 June 2022 \$	30 June 2021 \$
Management and Responsible Entity fees paid and payable directly by the Trust	5,929,649	4,276,148
Performance fees paid and payable directly by the Trust	<u>2,081,695</u>	<u>2,742,569</u>
	<u>8,011,344</u>	<u>7,018,717</u>
Fees payable to the Fund Manager and Responsible Entity as at reporting date (included in payables)	4,147,852	4,014,858

### Related party unitholdings

Parties related to the Fund (including Pinnacle Fund Services Limited, its related parties and other schemes managed by Pinnacle Fund Services Limited), held units in the Fund as follows:

#### 2022

Unitholders	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)
Palisade Investment Partners Ltd	2,523,749	2,523,749	2,624,446	0.39	-	-

## 14 Related party transactions (continued)

### Related party unitholdings (continued)

2021

Unitholders	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)
Palisade Investment Partners Ltd	2,523,749	2,523,749	2,535,611	0.46	–	–

### Investments

The Trust did not hold any investments in Pinnacle Fund Services Limited or its related parties during the year.

### Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Trust. They receive remuneration from a related party of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Trust does not pay any compensation to its key management personnel. Payments made from the Trust to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

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

	Year ended	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit for the year	51,480	43,018
Net (gains)/losses on financial instruments held at fair value through profit or loss	651	(28,810)
Purchase of financial instruments at fair value through profit or loss	(136,407)	(21,414)
Proceeds from sale of financial instruments at fair value through profit or loss	18,930	-
Net change in receivables and other assets	1,702	(4,536)
Net change in payables and other liabilities	203	2,649
Loan from Palisade's Diversified Infrastructure Fund No.3	915	-
Loan to Coffs Harbour Airport Holding Trust	-	(8,000)
Finance costs	-	55
<b>Net cash (outflow) from operating activities</b>	<b>(62,526)</b>	<b>(17,038)</b>

## 16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2022 and 30 June 2021.

## 17 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust as at 30 June 2022 or on the results and cash flows of the Trust for the year ended on that date.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2022 and of its performance for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and

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



Director  
Pinnacle Fund Services Limited

Sydney  
21 September 2022



## Independent auditor's report

To the unitholders 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 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Simplified Disclosures and the *Corporations Regulations 2001*.

### What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2022
- 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 directors of the Responsible Entity's declaration.

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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 & 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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### 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 2022, 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 are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures and the *Corporations Act 2001* and for 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.

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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 stylized, handwritten signature of PricewaterhouseCoopers in dark ink.

PricewaterhouseCoopers

A handwritten signature of Ben Woodbridge in dark ink.

Ben Woodbridge  
Partner

Brisbane  
21 September 2022