Hastings Funds Management

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ASX Announcement

Hastings High Yield Fund (HHY)

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Presentation – Results for the year ended 30 June 2011

Attached is a presentation of results for the year ended 30 June 2011.

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Hastings Funds Management

Hastings High Yield Fund

2011 Annual Results Presentation

August 2011

Disclaimer

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Contents

Overview of HHY

- Portfolio of debt securities that generate regular income
- Investments not otherwise readily accessible to ASX investors
- Investments domiciled in Australasia, Europe and North America
- Securities predominately issued by entities that:
  - are exposed to the infrastructure and essential services industry sectors
  - hold a significant market position
  - generate relatively predictable cash flows
  - share an alignment of interest with management and shareholders
  - rank ahead of an appropriate level of shareholder equity
- Generally target hold-to-maturity investment horizon

Key highlights and events

Investment activity

- Full repayment at face value of Manildra Group Reset Secured Notes Tranche 1 and increased pricing for the remaining investment in Tranche 2
- Full repayment at face value of Prime Infrastructure Subordinated Prime Adjusting Reset Convertible Securities (SPARCS)
- Conversion of Hyne Timber High Yield Non-cumulative Exchangeable Securities (HYNES) into ordinary equity at a small premium to face value
- Full repayment at face value of Thames Water Junior Floating Rate loan prior to scheduled maturity
- Write-down of DCA Group Junior Floating Rate Loan holding value to 10.0 cents per dollar face value (including capitalised interest). The realised loss on HHY's investment in DCA Group is equivalent to $22.3 million

Fund activity and distributions

- Debt facility fully repaid in March 2011
- Payment of distributions to unitholders of 15.1 cents per unit including tax credits for the year ended 30 June 2011, in line with guidance

Fund outlook

- Strong net cash position
- Review of HHY complete

Chief Operating Officer and HHY review

Steve Rankine appointed as COO on 7 February 2011

- Acting COO of HHY since December 2010 having joined Hastings in May 2008
- Previously Head of Westpac's Global Debt Capital Markets team with 24 years industry experience
- Significant advisory, structured and leveraged finance and debt management experience

Hastings review of HHY

Announced in February 2011. Objectives included:

- Comprehensive portfolio review
- Identify tangible actions to:
  - Narrow the gap between the net tangible asset backing (NTA) per unit and the traded unit price; and
  - Enhance unitholder value

2011 annual results

Summary Income Statement	Variance (%)	Year to 30 June 2011 ($'000)	Year to 30 June2010 ($'000)
Interest income – investments		16,817	21,783
Interest income – cash		1,202	240
Interest income – total	**↓ 18%**	**18,019**	**22,023**
Finance costs		(2,008)	(5,195)
Fee income		359	335
Realised & unrealised gains/(losses)		(1,013)	4,280
Net income	**↓ 28%**	**15,357**	**21,443**
Impairment expense		(21,212)	(14,203)
Other expenses(1)		(2,029)	(1,591)
Net profit attributable to unitholders	**↓ 240%**	**(7,884)**	**5,649**
Earnings (cents per unit)(2)	**↓ 238%**	**(7.08)**	**5.11**
Adjusted(3) net profit attributable to unitholders	**↓ 33%**	**13,328**	**19,852**
Adjusted(3) earnings (cents per unit)	**↓ 33%**	**11.90**	**17.93**

(1) Includes responsible entity management fees of $1,039,000.
(2) Based on net profit and weighted average units outstanding.
(3) Excludes impairment expense.

- Reduction in interest income can be largely attributed to non-payment of DCA Group interest, conversion of Hyne Timber into ordinary equity and asset repayments including Manildra Group Reset Secured Notes Tranche 1, Prime Infrastructure SPARCS and Thames Water Junior Floating Rate Loan
- Negative net profit for the year can be primarily attributed to the impairment provision applied against HHY's investment in the DCA Group Junior Floating Rate Loan

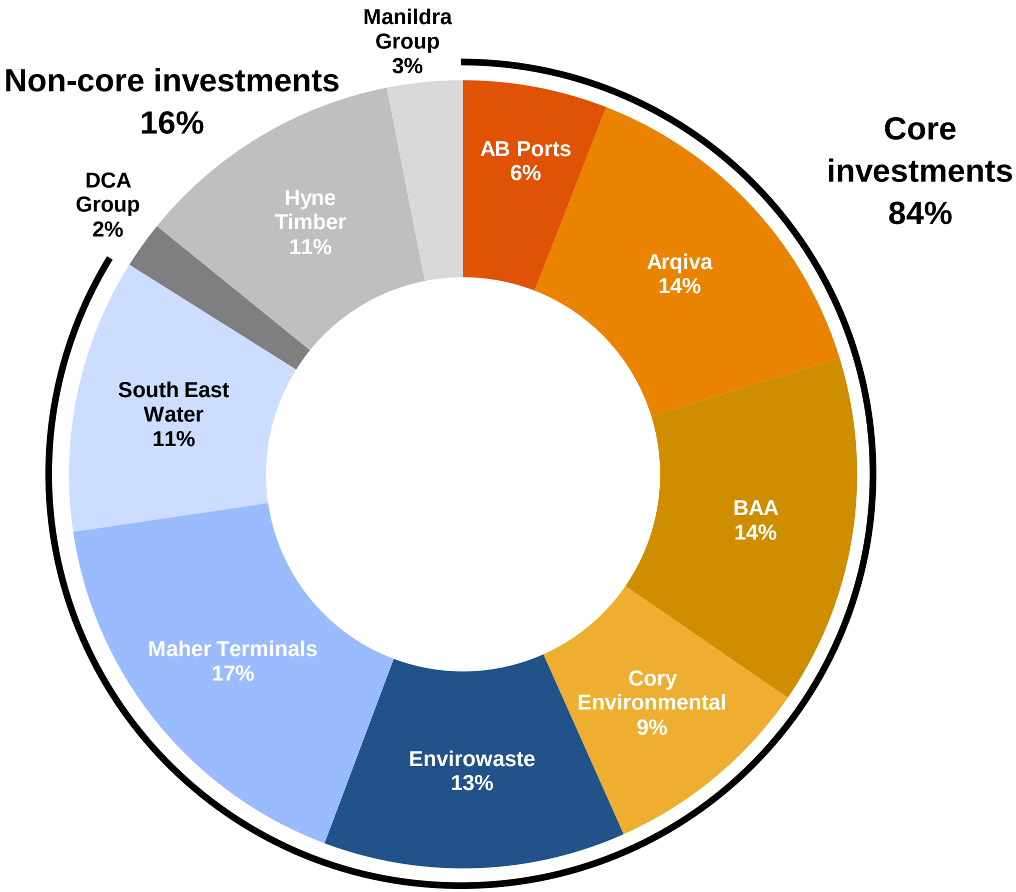
2011 annual results

Summary Balance Sheet [1]	30 June 2011		30 June 2010	
	($'000)	($ per unit)	($'000)	($ per unit)
Investments in debt securities	129,122	1.15	238,880	2.16
Cash & cash equivalents	45,933	0.41	10,022	0.09
Debt facility principal and accrued interest	0	0.00	(51,100)	(0.46)
Distribution payable	(4,146)	(0.04)	(4,096)	(0.04)
Other	(272)	(0.00)	(295)	(0.00)
Net assets	**170,637**	**1.52**	**193,411**	**1.75**

(1) Summary balance sheet reflects the consolidated entity.

- Decrease in investments in debt securities predominantly reflects repayment of the first tranche of Manildra Group's Reset Secured Notes, Prime Infrastructure SPARCS, Thames Water Junior Floating Rate Loan and the impairment provision applied against the DCA Group Junior Floating Rate Loan
- Asset repayments have been applied towards repayment of the debt facility, reducing debt principal outstanding from $51.1 million as at 30 June 2010 to nil as at 30 June 2011

Investment portfolio



- Core investments include those in infrastructure and essential services businesses and comprise 84 percent of the portfolio
- Non-core investments comprise 16 percent of the portfolio:
  - Hyne Timber liquidity event anticipated within next two years
  - Manildra Group RSN Tranche 2 first reset date in December 2012
  - DCA Group to restructure
- Core investments and cash comprise 90 percent of NTA

Investment	Investment amount 30 June 2011 (1)	
Core investments	$108.3m	63.5%
Non-core investments	$20.8m	12.2%
Cash	$45.9m	26.9%
Other (2)	($4.4m)	(2.6%)
NTA	**$170.6m**	**100%**

(1) Summary financials reflect the consolidated entity.
(2) Distribution payable as at 30 June 2011 of $4.1 million less other assets and liabilities of $0.3 million.

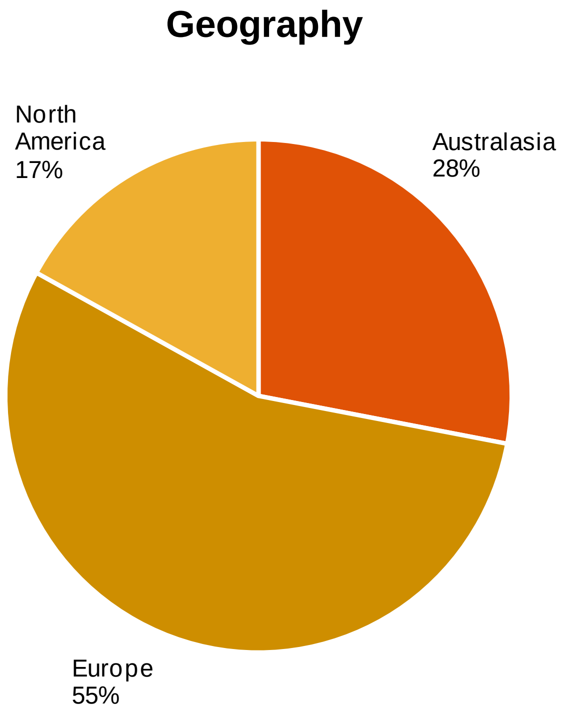
Investment portfolio

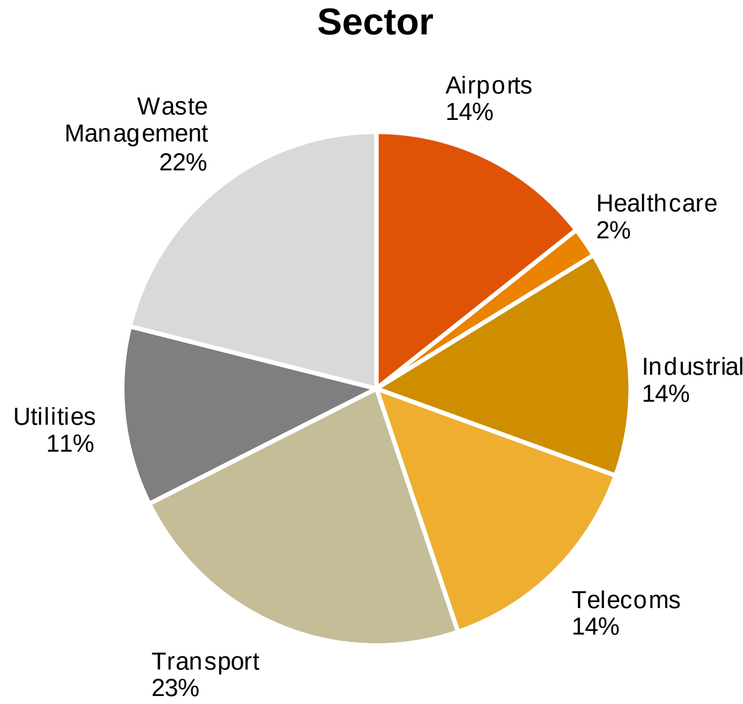
Investment	Instrument	30 June 2011 Investment Amount ($'000)	Term to maturity / reset date	FY11 Interest, Dividend and Fee Income ($'000)	Outlook
AB Ports	Junior Floating Rate Loan	7,574	3.1 yrs	961	Stable
Arqiva	Junior Floating Rate Loan	18,382	4.0 yrs	1,842	Stable
BAA[(1)]	Toggle Facility	18,582	15.0 yrs	1,338	Stable
Cory Environmental[(1)]	Junior Floating Rate Loan	11,286	3.4 yrs	1,249	Negative
DCA Group[(2)]	Senior Term Loan, Equity & Warrants	2,477	2.0 yrs	2,411	Stable[(3)]
EnviroWaste	Junior Floating Rate Loan	16,019	2.3 yrs	2,210	Stable
Hyne Timber[(4)]	Ordinary Equity	14,292	n/a	467	Negative
Maher Terminals	Junior Floating Rate Loan	21,922	4.0 yrs	2,032	Stable
Manildra Group[(5)]	Reset Secured Notes	4,012	1.5 yrs	552	Stable
Prime Infrastructure SPARCS[(6)]	Stapled Securities	-	n/a	654	Repaid
South East Water	Junior Floating Rate Loan	14,576	3.5 yrs	1,667	Stable
Thames Water[(7)]	Junior Floating Rate Loan	-	n/a	1,555	Repaid
Cash, Fees and Other[(8)]		45,933	n/a	1,440	-
Total/weighted average		**175,055**	**5.2 yrs**	**18,378**	

(1) BAA and Cory Environmental interest figures include capitalised interest.
(2) Due to a breach of financial covenants, interest income for DCA Group was not paid during the financial year, and has subsequently been written off.
(3) Post restructure and write-off, the outlook for HHY's residual interest in DCA Group is stable.
(4) HYNES were converted into ordinary equity in Hyne Timber on 21 December 2010. Ordinary equity has different risk characteristics than the debt securities held by HHY and may increase NTA volatility.
(5) The first tranche of Manildra Group's Reset Secured Notes were repaid in July 2010.
(6) Prime Infrastructure SPARCS were repaid at maturity in November 2010.
(7) Thames Water Junior Floating Rate Loan repaid in April 2011, ahead of its scheduled maturity in December 2013.
(8) Includes fee income of $359,000 and reversal of $121,000 of interest accrued on European Directories.

Investment portfolio diversification

Portfolio diversity by geography and sector





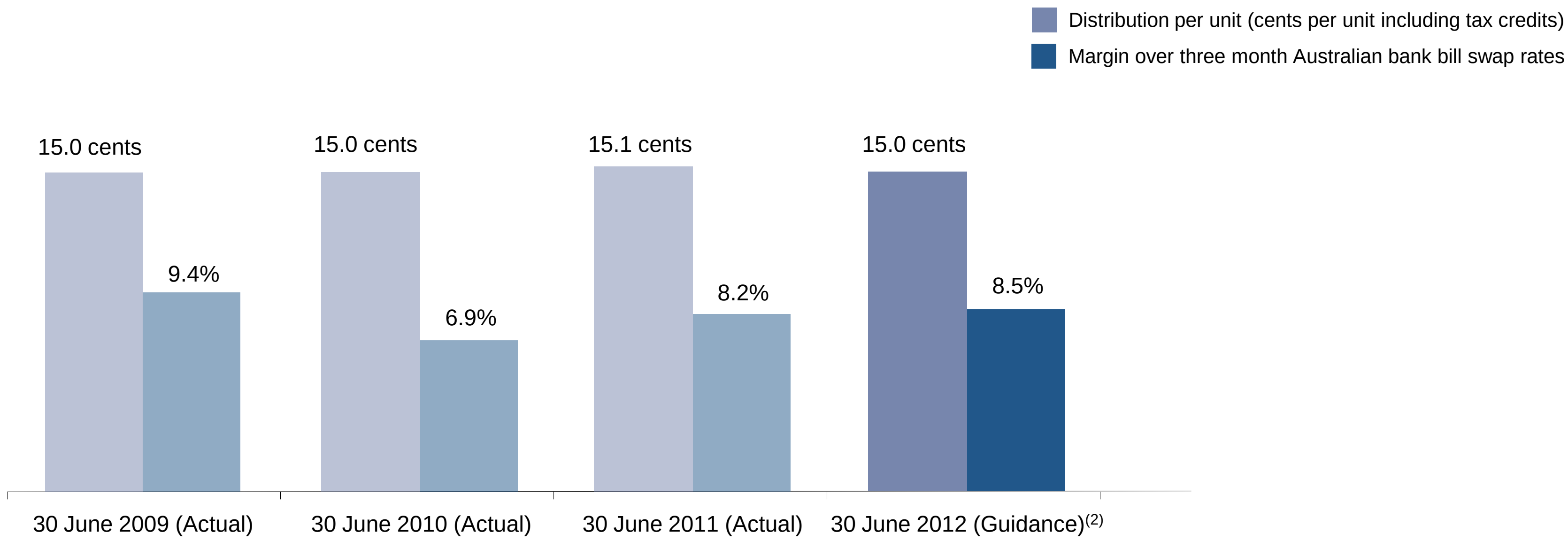
Fund earnings – key drivers

The level of recurring earnings generated by HHY's portfolio is predominantly impacted by:

- **The level of Australian bank bill interest rates:**
  - approximately 84.0 percent of the current investment portfolio is floating rate which provides some protection in a rising interest rate environment
  - a movement of 1.0 percent would change interest income generated by the portfolio by approximately 1.3 cents per unit
- **Interest and dividend income generated by HHY's investment portfolio:**
  - HHY investments typically generate interest income in excess of local interest rates
  - principal and interest obligations are generally hedged against movements in foreign currencies and foreign interest rates
  - portfolio approach provides diversification benefits and reduces reliance on any single investment

Distribution guidance

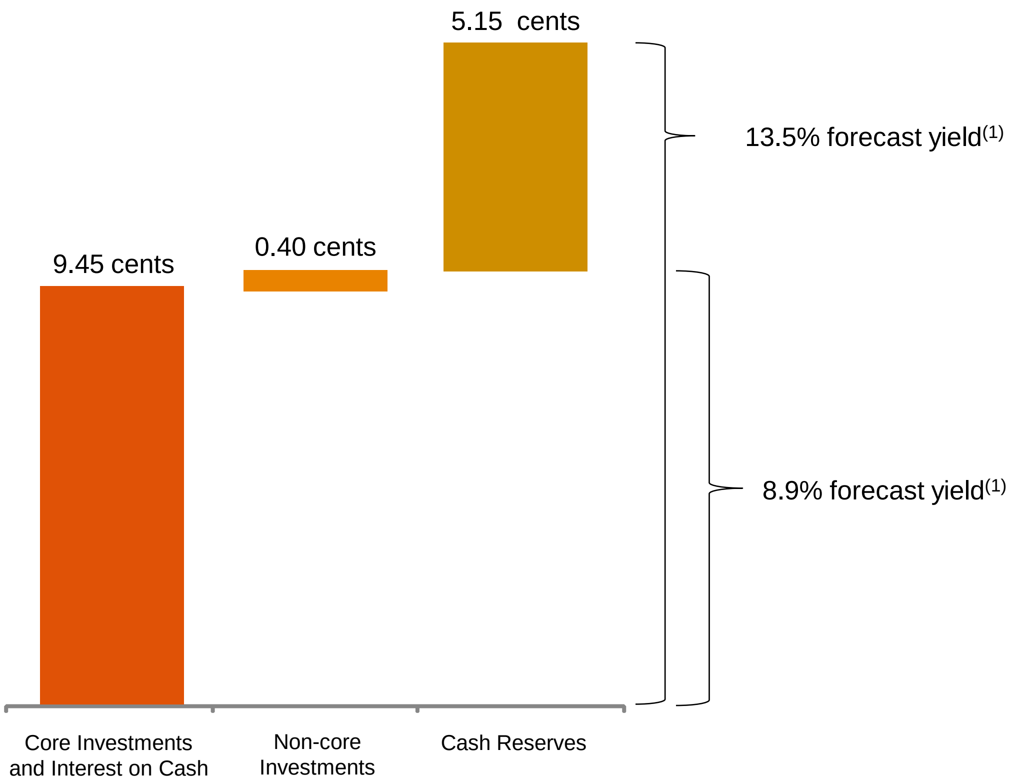
- Distribution guidance of 15.0 cpu cash for FY12, representing a forecast yield of 13.5 percent[(1)] and a return (margin) of 8.5 percent above current Australian bank bill swap rates
- HHY has a proven history of paying a strong dividend yield and margin



(1) Based on HHY's closing unit price of $1.11 as at 30 June 2011.
(2) Guidance based on current interest rates.

Distribution guidance (cont.)

Composition of FY12 distribution guidance (cpu)



- 5.15 cpu is expected to be funded from cash reserves
- FY12 earnings impacted by:
  - Asset repayments at face value
  - Reduction in income on DCA Group investment
  - Conversion of HYNES into ordinary equity in Hyne Timber

(1) Based on HHY's closing unit price of $1.11 as at 30 June 2011.

Fund review

Revisited the Past

- Original strategy
- Trading performance vs. NTA
- Distribution yield
- Investment cycle
- Financial crisis impact
- Fund level debt pay-down

Reviewed the Present

- Canvassed views of circa 30% of unitholder register
- Detailed review of fund performance, investments, maturity profile, liquidity and hedging exposures
- Considered capital management options

Conclusions and Implementation

- Long term specific investor interest exists
- Identified key outcomes
- Implement identified strategy

Review findings

HHY's market capitalisation does not reflect the value of its asset base

- 80.0 percent of HHY's investment portfolio by asset value (excluding cash) performing in line with expectations as at 30 June 2011
- Net cash position $41.5 million as at 30 June 2011 (equivalent to 24.3 percent of NTA and 33.4 percent of market capitalisation)[1]
- Potential for further asset repayments during FY12
- Straightforward and appropriate capital structure (substantial cash position, no fund level gearing)
- Despite this, HHY's unit price continues to trade at a significant discount to NTA per unit (c. 27.1 percent including cash, 35.8 percent excluding cash[2])

HHY is well positioned to deliver value to unitholders

- Offers investors exposure to a unique portfolio of high yielding debt securities, whilst the opportunity set of new investments is significant
- Interest generated by HHY's investment portfolio continues to enable the fund to make quarterly distributions significantly in excess of Australian interest rates
- HHY's liquidity position and associated financial flexibility is greater than at any point since the start of the financial crisis

(1) Excludes cash of $4.1 million provided for the distribution declared in respect of the June 2011 quarter. Based on 30 June 2011 market capitalisation of $124.4 million and June 2011 NTA of $170.6 million.
(2) Based on 30 June 2011 market capitalisation of $124.4 million, June 2011 NTA of $170.6 million and net cash of $41.5 million (after provisioning for the June 2011 distribution).

Review findings (cont.)

Refinement of investment criteria

- HHY will not consider further investment while a significant discount to NTA exists
- HHY to focus exclusively on infrastructure and essential services businesses
- Seek opportunity to exit non-core assets prior to scheduled maturity

Expansion of active capital management programme

- To narrow the gap to NTA HHY to expand active capital management programme:
  - Repayment of fund level debt
  - Cancellation of distribution reinvestment programme
  - Top-up of FY11 distribution and FY12 distribution guidance to 15 cents per unit from cash reserves
  - Initiation of on-market buy-back
- The effectiveness of the active capital management programme in narrowing the gap to NTA will be monitored on an on-going basis and does not preclude other initiatives, such as special distributions when assets mature, when considered in the best interests of investors

Review findings (cont.)

On-market unit buy-back programme

- Will only purchase units where it is accretive to earnings and NTA per unit
- Up to 10 percent of issued units (circa 11 million) in 12 month period
- Programme will commence no earlier than 13 September 2011

HHY will enhance reporting

- Reinstatement of quarterly update
- Greater attention to asset level disclosure, subject to HHY’s confidentiality obligations

Key messages

Investments continue to receive interest income as anticipated, however:

- Cory Environmental interest income currently capitalising
- No interest or dividend income is assumed from DCA Group or Hyne Timber

30 June 2011 net cash balance of $41.5 million primarily as a result of:

- Asset repayments from Manildra Group Reset Secured Notes Tranche 1, Prime Infrastructure SPARCS and Thames Water Junior Floating Rate Loan totaling approximately $51.2 million
- Proceeds from the settlement at contract maturity of derivative securities totaling $38.8 million

Review of the fund completed to narrow the gap between the security price and NTA

- Actions announced include:
  - Expansion of active capital management programme to include an on-market unit buy-back
  - HHY will not consider further investment while a significant discount to NTA exists
  - Seek opportunities to exit non-core investments
  - Enhanced reporting
- The effectiveness of the active capital management programme will be monitored on an on-going basis and does not preclude other initiatives, such as special distributions when assets mature, when considered in the best interests of investors

AB PORTS

- Acquired by consortium comprising Borealis Infrastructure, GIC, Goldman Sachs and Infracapital in August 2006 for £3.4 billion
- Largest port operator in the United Kingdom providing port facilities and services to shippers and cargo owners through its 21 strategically located ports
- £350 million Junior Floating Rate Loan arranged to part fund the acquisition

Summary terms

Instrument	Junior Floating Rate Loan
Issue size	£350 million
HHY investment	£5 million
Maturity	August 2014
AUD interest rate[(1)]	8.98% per annum

(1) Cross currency swap AUD receive rate as at 30 June 2011

Period in review

- Results for the full year period ended 31 December 2010 improved, driven by increased cargo volumes, reflecting the restocking of inventories by businesses as the United Kingdom economy emerged from recession. EBITDA increased 13.1 percent to £258.7 million. Total revenue for the Ports and transport business increased 1.6 percent on the prior corresponding period to £404.1 million
- Continued to benefit from strong growth in cruise traffic with cruise passenger volumes increasing by 16.8 percent at Southampton
- Improved cargo volumes by 5.4 percent to 118.5 million tonnes coupled with cost saving initiatives implemented in 2009 translated into strong growth in EBITDA
- Free cash flow generation led to a reduction in net debt, which together with increased EBITDA resulted in modest de-leveraging

Outlook

- Stable outlook given AB Ports' diversified cargo base, long-term contracts, its ongoing focus on cost control and management's forecasts indicating further volume improvements and de-gearing of the business

Hastings Funds Management

ARQIVA

- Acquired by consortium led by Macquarie Communications Infrastructure Group (MCIG). In July 2009, Canada Pension Plan Investment Board acquired MCIG to become largest shareholder of Arqiva
- Leading national provider of communications infrastructure in the United Kingdom, supporting broadcast, satellite and mobile services
- £475 million Junior Floating Rate Loan issued to part fund the acquisition and refinance existing debt of which £463 million remains outstanding

Summary terms

Instrument	Junior Floating Rate Loan
Issue size	£463 million
HHY investment	£10.7 million
Maturity	July 2015
AUD interest rate(1)	9.98% per annum

(1) Cross currency swap AUD receive rate as at 30 June 2011

Period in review

- For the nine months ended 31 March 2011, Arqiva reported revenue growth below budget and the prior corresponding period, however EBITDA was slightly ahead due to revenue growth achieved by the launch of new television channels at Terrestrial Broadcast and inflation. Given the robust performance relative to budget, Arqiva is expected to achieve solid EBITDA growth in FY11 relative to FY10
- Digital switchover project for the UK is progressing well and is expected to be completed on time and under budget, with the process complete for the whole of Scotland
- New CEO, John Cresswell, commenced in January 2011 following changes to the structure and management of Arqiva announced in September 2010
- Launched smart metering consortium, SmartReach with BT and Detica to accelerate the delivery of UK Smart Grid network
- Named Independent Teleport Operator of the Year 2011 in March

Outlook

- Stable outlook given the majority of revenue is underpinned by long-term contracts and the digital switch-over program is continuing as anticipated

BAA

- Acquired by consortium consisting of Ferrovial, CDPQ and GIC in June 2006 for £16.6 billion
- One of the world's leading international airport operators and owner of six United Kingdom airports, including the price regulated airports of Heathrow Airport and Stansted Airport
- £600 million Toggle Facility was arranged to part fund the acquisition of BAA

Summary terms

Instrument	Toggle Facility
Issue size	£600 million
HHY investment	£7.5 million
Maturity/Step-up	Perpetual, interest rate steps up in July 2026
AUD interest rate[(1)]	11.96% per annum

(1) Forward foreign exchange contract implied AUD receive rate as at 30 June 2011.

Period in review

- For the six month period ended 30 June 2011, adjusted EBITDA increased 27.1 percent to £510.5 million for BAA (SP) (owner of BAA's Heathrow and Stansted airports, driven by improved underlying traffic, increased revenue per passenger, strong cost controls and no recurrence of the disruptions of 2010. Revenue increased 12.1 percent to £1,073.9 million.
- Passenger traffic increased 7.1 percent to 41.4 million for the six month period. Passenger traffic for BAA as a whole increased 7.8 percent to 51.2 million
- Debt maturity profile extended through the issuance of approximately £2.0 billion in bonds and loans. Refinanced £1.57 billion junior debt facility with a combination of cash on hand and new bonds and loans
- In October 2010, sold 65 percent of its stake in Naples Airport to F2i SGR SpA for €147 million
- In July 2011, Competition Commission confirmed that BAA will be required to sell Stansted Airport, followed by either Edinburgh Airport or Glasgow Airport
- In August 2011, HHY received a partial repayment of capitalised interest

Outlook

- Stable outlook due to ownership of Heathrow Airport, the largest London regulated airport, the successful refinancing of its debt facilities, improved passenger traffic and robust operating performance

CORY ENVIRONMENTAL

- Acquired by consortium consisting of ABN AMRO Infrastructure, Finpro and Santander Private Equity in March 2007 for £588 million
- Operates multiple landfill sites, provides municipal waste collection and recycling services in the United Kingdom, with a focus in London and Essex.
- Nearing completion of an Energy from Waste (EfW) facility in London
- £40 million Junior Floating Rate Loan was arranged to part fund the acquisition

Summary terms

Instrument	Junior Floating Rate Loan
Issue size	£40 million
HHY investment	£7 million
Maturity	September 2014
AUD interest rate(1)	10.07% per annum

(1) Forward foreign exchange contract implied AUD receive rate as at 30 June 2011.

Period in review

- Year ended 31 December 2010 revenue and EBITDAP (EBITDA plus provisions) below management's budget and prior year primarily due to underperformance in the landfill and logistics & brokerage businesses
- EfW facility in commissioning, with handover expected before the end of the 2011 calendar year
- 2011 Budget released in December 2010 forecasts material declines in revenue and EBITDAP, driven by pressure on landfill volumes and gate fees, the closure of the Mucking landfill and transfer of operations to the EfW facility ahead of the commencement of commissioning
- Cory approached lenders with a proposal to increase financial covenant headroom and extend the senior and junior term loan facilities by two years. Discussions between lenders and the company are progressing

Outlook

- Negative outlook given material underperformance relative to the original investment case. Subject to the outcome of discussions with the company, the outlook for Cory may improve if financial performance exceeds management's revised forecasts

DCA GROUP

- Acquired by funds advised by CVC Asia Pacific Limited and CVC Capital Partners in December 2006 for $2.7 billion
- Australia's leading provider of diagnostic imaging, operating over 200 clinics
- $300 million Junior Floating Rate Loan was arranged to part fund the acquisition

Summary terms(1)

Instrument	Senior Term Loan, Ordinary Equity and Warrants
Other	Terms under negotiation

(1) Subject to final documentation of restructuring

Period in review

- For the 2011 financial year, revenue and EBITDA were below the restructure forecasts from July 2009, largely due to greater competition in certain parts of New South Wales and Queensland combined with staff (sonographer) shortages
- Consistent with expectations, DCA Group defaulted on its senior and junior floating rate loans during the March 2011 quarter due to non-compliance with the interest cover ratio and senior leverage ratio
- In May 2011, Hastings, along with other subordinated lenders executed a binding, consensual agreement to restructure DCA Group's existing debt. Subject to final documentation, HHY will receive a portion of a new Senior Term Loan, ordinary equity and warrants, equivalent to approximately 10 percent of the principal value of its investment. Hastings has therefore reduced the holding value of DCA Group to 10.0 cents per dollar face value (including capitalised interest)

Outlook

- Post restructure and write-off, the outlook for HHY's residual interest in DCA Group is stable

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ENVIROWASTE

- Acquired by funds managed by Ironbridge Capital for NZ$366 million in April 2007
- New Zealand's second largest waste management company with operations in the waste collection and disposal segments. Also operates several landfill sites, including the key Hampton Downs site south of Auckland
- NZ$50 million Junior Floating Rate Loan was arranged to part fund the acquisition, of which NZ$36 million remains outstanding

Summary terms

Instrument	Junior Floating Rate Loan
Issue size	NZ$36 million
HHY investment	NZ$18 million
Maturity	October 2013
AUD interest rate[(1)]	13.39% per annum

(1) Cross currency swap AUD receive rate as at 30 June 2011

Period in review

- For the year ended 30 June 2011, EBITDA was above budget and above the prior corresponding period, driven mainly by an increase in the Collections and Post Collections businesses and tight cost controls
- Total revenue was above budget, with all divisions except Transfer Stations exceeding budget and several significant disposal jobs won into Hampton Downs and Greenmount over the year
- Capital expenditure incurred during the financial year included projects such as the set up of Wellington City Council and Dunedin City Council contracts
- Solid EBITDA growth is budgeted for EnviroWaste over the 2012 financial year, driven by the annualised benefits of Dunedin City Council and Wellington City Council, price increases effective from July 2011 across most service lines and the commencement of new contracts at the Papakura and Mackenzie Districts
- EnviroWaste financial covenant headroom is adequate and in line with revised forecasts

Outlook

- Stable outlook given the enhanced investment terms agreed, recent customer contract wins and improvement in waste volumes and prices

HYNE TIMBER

- Privately owned company based in Queensland and established in 1882
- Fully integrated forestry business with extensive interests in timber processing, wholesaling and exporting. Principal activities include softwood sawmills, timber manufacturing plants and wholesale and distribution outlets
- In April 2005, Hyne Timber issued $60 million of exchangeable securities (HYNES) issued to fund capital expenditure, of which HHY purchased $13 million face value
- In December 2010, Hyne Timber elected to convert the majority of the HYNES to ordinary equity as permitted under the HYNES terms

Summary terms

Instrument	Ordinary equity
Investment value	$14.3 million
Ownership	4.8%

Period in review

- Financial performance for the year ending 30 June 2011 was below expectations as a result of reduced housing demand since the start of October 2010, and the impact of flooding on the East Coast of Australia
- In October 2010, the HYNES reached their reset date and as permitted under the HYNES terms, Hastings lodged an exchange notice requesting repayment. Following a Board meeting in December 2010 it was resolved the company would convert the majority of the $60 million HYNES issue to ordinary equity in Hyne & Son Pty Ltd as allowed under the terms of the HYNES
- HHY now holds ordinary equity as its investment in Hyne Timber with an ownership stake of 4.8 percent of the total ordinary issued capital
- In June 2011, Managing Director of Hyne Timber, John McNamara, resigned and will depart the business after 18 years with the company
- The Alternative Debt team is in contact with Hyne Timber’s Chairman, who confirmed the Board is in the process of identifying a suitable replacement and stated earnings for 2011 would be less than budget

Outlook

- Due to the cyclical underperformance in the building industry, the short term outlook for the sector and Hyne Timber is negative. Hastings will revisit the valuation of Hyne Timber when the 2011 full year results become available

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MAHER TERMINALS

- Acquired by Deutsche Bank in March 2007 for a purchase price in excess of US$1.5 billion
- One of the largest terminal operators within the Port of New York and New Jersey (United States) with established assets in Port Elizabeth and a new terminal at the Port of Prince Rupert located on the western coast of Canada
- US$150 million Junior Floating Rate Loan was arranged to part fund the acquisition

Summary terms

Instrument	Junior Floating Rate Loan
Issue size	US$150 million
HHY investment	US$20 million
Maturity	July 2015
AUD interest rate[1]	9.01% per annum

(1) Cross currency swap AUD receive rate as at 30 June 2011

Period in review

- Financial year ended 31 December 2010 revenue and EBITDA grew significantly due to increased container volumes at both Port Elizabeth and Port of Prince Rupert
- Container traffic at the Port of New York and New Jersey, which includes Port Elizabeth, loaded 5.3 million twenty foot equivalent units (containers) during the twelve months ended 31 December 2010, representing a 16.0 percent increase on prior period
- Budget was released for the year ending 31 December 2011. Container volumes are expected to increase materially at both Port Elizabeth and Port of Prince Rupert. Revenue and EBITDA are expected to increase due primarily to container volume growth. EBITDA growth is expected to outstrip revenue growth due to significant operating leverage and strict cost controls
- Following the Canadian Government's announcement of agreements with Indian tribes in March 2011, an increase in capacity of Port of Prince Rupert to more than 2 million containers is expected

Outlook

- Stable outlook given improving container volumes and low financial gearing

Hastings Funds Management

MANILDRA GROUP

- Privately owned company headquartered in New South Wales and established in 1952
- Largest user of wheat for industrial purposes in Australia, processing over one million tonnes of wheat per annum
- Integrated producer of processed wheat product, with principal activities comprising flour milling, starch & gluten production, glucose production, ethanol production and consumer retail products
- $75 million of Reset Secured Notes issued in September 2005 (RSN1) and a further $30 million in February 2008 (RSN2) to part fund the expansion of its flour milling and ethanol production facilities

Summary terms

Instrument	Reset Secured Notes
Issue size	$105 million
HHY investment	$4 million (RSN2)
Reset date	December 2012
AUD interest rate	12.50% per annum

Period in review

- 2011 financial year-to-date performance was ahead of management budget with strong contributions from the starch & gluten and ethanol divisions
- Nowra plant expansion has been continuing during 2010 and into the 2011 calendar year, with Manildra Group confirming there is no change to the anticipated date of completion
- As part of the refinancing of Manildra Group's senior debt facilities and RSN1 during the period, Hastings consented to certain amendments to the financing terms of RSN2 in return for an increase in the interest rate to 12.50 percent fixed per annum. HHY retains its $4 million face value investment in RSN2 issued in February 2008, with a first reset date of 21 December 2012
- Manildra Group remains comfortably in compliance with its lending covenants and continues to meet its interest payments on the Reset Secured Notes as scheduled
- In July 2010, HHY received full repayment of its $20 million face value investment in Manildra Group's RSN1

Outlook

- Stable outlook given the resilient financial performance

SOUTH EAST WATER

- Acquired by Hastings managed funds for £665.4 million and merged with Mid Kent Water in December 2007, following approval by the United Kingdom Competition Commission
- Largest water-only company in England and Wales
- Fully regulated utility which provides water to approximately 2.1 million people within an area covering 5,657 square kilometres in the south of England
- £40 million Junior Floating Rate Loan was arranged to part fund the acquisition

Summary terms

Instrument	Junior Floating Rate Loan
Issue size	£40 million
HHY investment	£9 million
Maturity	December 2014
AUD interest rate[(1)]	9.51% per annum

(1) Cross currency swap AUD receive rate as at 30 June 2011.

Period in review

- Financial year ended 31 March 2011 revenue was £190.5 million, a 5.2 percent increase on the prior corresponding period as a result of higher RPI and price increases as allowed by the regulator, Ofwat. EBITDA improved 8.2 percent to £120.7 million primarily due to tight cost controls
- Capital expenditure was £82.4 million. On track to meet capital expenditure plan agreed with Ofwat for the five year period 2010-2015
- 50 percent interest in South East Water was sold to Caisse de dépôt et placement du Québec by Hastings Diversified Utilities Fund and Utilities Trust of Australia. HHY received a fee of £289,000 for consenting to the sale
- 200,000 water meters will be installed by South East Water across parts of Kent, Sussex, Hampshire, Berkshire and Surrey over the next five years following the recent UK Government Water Resources plan to secure future water supplies up to 2035. In addition, South East Water will continue to manage demand by tackling leakage and promoting water efficiency

Outlook

- Stable outlook given robust regulatory framework and operating performance