

30 September 2019

**BY ELECTRONIC LODGEMENT**

Company Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**UPDATE TO RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Aurora Funds Management Limited, as responsible entity for Aurora Absolute Return Fund (ABW"), lodged an Appendix 4E Preliminary Final Report with the ASX on 2 September 2019.

The Annual Report of ABW for the year ended 30 June 2019 was signed by the Directors of Aurora Funds Management Limited, in its capacity as responsible entity for ABW, on 30 September 2019, a copy of which is attached.

Between 2 September 2019 and 30 September 2019, material information came to light regarding Aurora Fortitude Absolute Return Fund's ("AFARF") investment in RNY Property Trust which caused the Directors of Aurora Funds Management Limited, as responsible entity for the AFARF, to determine a fair value of 4.4 cents per unit in RNY Property Trust. This represents an increase of 3 cents per share from the valuation on which the Appendix 4E Preliminary Final Report to the Australian Securities Exchange was based of 1.4 cents per share.

The differences between the Appendix 4E Preliminary Final Report to the Australian Securities Exchange issued on 2 September 2019 and the Annual Report for ABW issued on 30 September 2019 are detailed below.

**Statement of profit or loss and other comprehensive income**

**Net losses on financial instruments held at fair value through profit or loss**

Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 2 September 2019	(890,135)
Effect on ABW of the increase in fair value of AFARF's investment in RNY Property Trust at 30 June 2019	61,779
<b>Disclosure per the Annual Report of ABW for the year ended 30 June 2019</b>	<b>(828,356)</b>

**Operating profit/(loss) for the year**

Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 2 September 2019	(1,355,457)
Effect on ABW of the increase in fair value of AFARF's investment in RNY Property Trust at 30 June 2019	61,779
<b>Disclosure per the Annual Report of ABW for the year ended 30 June 2019</b>	<b>(1,293,678)</b>

**Decrease in net assets attributable to shareholders**

Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 2 September 2019	1,407,450
Effect on ABW of the increase in fair value of AFARF's investment in RNY Property Trust at 30 June 2019	(61,779)
<b>Disclosure per the Annual Report of ABW for the year ended 30 June 2019</b>	<b>1,345,671</b>

**Statement of financial position****Financial assets held at fair value through profit or loss**

Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 2 September 2019	2,068,280
Effect on ABW of the increase in fair value of AFARF's investment in RNY Property Trust at 30 June 2019	61,778
<b>Disclosure per the Annual Report of ABW for the year ended 30 June 2019</b>	<b>2,130,058</b>

**Net assets attributable to unitholders - liability**

Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 2 September 2019	1,489,171
Effect on ABW of the increase in fair value of AFARF's investment in RNY Property Trust at 30 June 2019	61,779
<b>Disclosure per the Annual Report of ABW for the year ended 30 June 2019</b>	<b>1,550,950</b>

Yours sincerely,



Adrian Tilley  
 Company Secretary  
 Aurora Funds Management Limited as responsible entity for  
 Aurora Absolute Return Fund

**Aurora Absolute Return Fund**  
**ARSN 110 303 430**

**Annual Report**  
**For the year ended 30 June 2019**

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# Director's Report

The directors of Aurora Funds Management Limited ("AFML") (ABN 69 092 626 885), in its capacity as the responsible entity of the Aurora Absolute Return Fund ("the Fund"), present their annual report together with the financial statements of the Fund for the year ended 30 June 2019.

## Principal activities

The Fund invests in the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) (the "Master Fund" or "AFARF"), in accordance with the provisions of the Fund Constitution, the current Product Disclosure Statement ("PDS") and Fund updates on the ASX.

The Fund did not have any employees during the year.

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

The Fund is currently listed on the Australian Security Exchange (ASX: ABW).

## Directors

The following persons held office as directors of Aurora Funds Management Limited during the year and up to the date of this report, unless otherwise stated:

John Patton  
Victor Siciliano  
Anthony Hartnell AM

## Units on issue

	2019	2018
At 30 June	8,130,778	8,113,656

## Review and results of operations

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

## Financial results for the year

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

	2019 \$	2018 \$
Operating profit/(loss) before finance costs attributable to unitholders	(1,293,678)	(2,560,530)
Distributions paid and payable	(51,993)	(199,467)
Distribution (cents per unit) 30 September	0.19	0.69
Distribution (cents per unit) 31 December	0.16	0.69
Distribution (cents per unit) 31 March	0.15	0.65
Distribution (cents per unit) 30 June	0.14	0.30

# Director's Report

## Financial position

Net Tangible Assets (NTA) per unit as disclosed to the ASX are shown as follows:

	2019 \$	2018 \$
At 30 June	0.2783	0.3750
High during period	0.3620	0.6860
Low during period	0.2635	0.3750

Based on the audited financial statements of the Fund for the year ended 30 June 2019, the NTA at 30 June 2019 is \$0.1908 per unit. This is due to the change in accounting policy by the Master Fund, which now values its investment in Aurora Property Buy-Write Income Trust ("AUP") at the last traded price on the ASX (\$1.75 at 30 June 2019). Previously the Master Fund valued its investment in AUP at Net Asset Value (which at 30 June 2019 was \$6.195 per unit based on the audited financial statements of AUP). This has resulted in a decrease of \$0.0434 per unit on the Master Fund which results in a decrease of \$0.0465 per unit for the Fund.

## Reconciliation of net assets for unit pricing and financial reporting purposes

The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Accounting Australian Standards are outlined below:

	2019 \$	2018 \$
Net assets for unit pricing purposes	1,585,398	2,915,370
Distribution payable	(34,447)	(24,341)
Franking credits included in unit pricing	-	-
Nets assets under Australian Accounting Standards	1,550,950	2,891,029

## Information on Underlying Performance

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

## Strategy and Future Outlook

The Fund invests in the Master Fund which is expected to continue. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Fund provides regular updates, including monthly NTA announcements, which can be found in the announcement section of the Australian Securities Exchange website.

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

The results of the Fund's operations will be affected by performance of investment markets in which the Master Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

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

# Director's Report

## Significant changes in state of affairs

On 15 January 2019, a purported meeting of members of the Fund purported to pass a special resolution approving the amendment of the Fund Constitution. That meeting also purported to replace the responsible entity with another company, Primary Securities Limited ("Primary"). On 30 May 2019, the meeting and all resolutions passed at the meeting were declared to be invalid and of no effect by the Supreme Court of New South Wales.

On 21 August 2019, AFML, as the responsible entity of the Fund, modified the Fund Constitution in order to clarify that the Consolidated Constitution dated 1 July 2011 has at all times since 1 July 2011 been the Fund Constitution, and the purported replacement consolidated Constitution lodged with the Australian Securities and Investments Commission by Primary on 31 January 2019 has been at all times void and of no effect.

An Order has been issued by the Supreme Court of New South Wales requiring Primary to pay the costs that Aurora has incurred in this matter, however the costs to be reimbursed by Primary to Aurora have not yet been paid. Any future recoveries from Primary will be booked to revenue when they are received.

The amount of unrecovered legal costs incurred by Aurora to date is \$336,650.69. This amount has been included as a liability provision in the financial statements of the Fund for the year ended 30 June 2019. Aurora intends to vigorously pursue the recovery of these costs from Primary.

On 30 August 2019, Primary advised Aurora that it had filed a Notice of Appeal with the Supreme Court of NSW Court of Appeal on 29 August 2019.

The Fund solely invests into the Aurora Fortitude Absolute Return Fund (the "Master Fund" or "AFARF"). For the financial year ended 30 June 2019, AFARF has adopted significant judgements and estimates to fair value the following investments:

### Molopo Energy Limited (ASX: MPO)

AFARF holds an investment in Molopo Energy Limited (ASX: MPO). For the year ended 30 June 2019, AFARF has adopted significant judgements and estimates as to the fair value of this investment. The key sources of estimation uncertainty and fair value measurement in relation to MPO are outlined in Notes 4 and 7.

### RNY Property Trust (ASX:RNY)

As at 30 June 2019, Aurora's total ownership is 80.96% of which AFARF owns 1.58% of the units in RNY.

Over the last eighteen months AFML, in its capacity as the Investment Manager of RNY, has been actively working to extract value from its investment in RNY by negotiating with the US lender of the underlying five (5) US commercial properties held by RNY, working with the property sub-manager to attract new tenants and working with various stakeholders to improve the properties.

On 8 February 2019, Aurora successfully extended the senior loan with ACORE for a further one year term. CBRE have replaced Winthrop as property sub-manager of the properties.

For the year ended 30 June 2019, the Fund has adopted significant judgements and estimates to calculate the fair value of this investment. The key sources of estimation uncertainty and fair value measurement in relation to RNY are outlined in Notes 4 and 6.

# Director's Report

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

On 21 August 2019, AFML, as the responsible entity of the Fund, modified the Constitution in order to clarify that the Original Constitution has at all times since 1 July 2011 been the constitution of the Fund, and the purported replacement consolidated Constitution lodged with the Australian Securities and Investments Commission by Primary Securities Limited on 31 January 2019 has been at all times void and of no effect.

In addition, on 30 August 2019, Primary advised Aurora that it had filed a Notice of Appeal with the Supreme Court of NSW Court of Appeal on 29 August 2019.

No other matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

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

## **Indemnity and insurance of Aurora Funds Management Limited**

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

## **Indemnity of auditors**

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

## **Cost recovery and interests held in the Fund by the Responsible Entity or its associates**

Costs recovered by the Responsible Entity and its associates out of Fund property during the year are disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

The number of interests in the Fund 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 Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 10 of the financial statements.

The values of the Fund's assets and liabilities are disclosed in the Statement of Financial Position and derived using the basis set out in Note 8 to Note 9 of the financial statements.

## **Environmental regulation**

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



# Director's Report

## Information on directors

The following persons were Directors of the Responsible Entity during the whole or part of the year and up to the date of this report.

**Name:** John Patton  
**Title:** Managing Director  
**Qualifications:** Bachelor of Economics (Accounting), Chartered Accountant, Graduate Diploma in Applied Finance and Investment  
**Experience and expertise:** John was appointed as Managing Director of Aurora Funds Management Limited on 30 June 2016. John was previously a partner with Ernst & Young in the Transactions Advisory Services division and has over 25 years of professional services and industry experience. John has extensive corporate finance credentials, having been involved in over 250 corporate transactions, including mergers & acquisitions, structuring, debt & equity raisings, IPO's, management buy-outs, valuations, due diligence, financial modelling, restructuring and corporate advisory.  
**Other current directorships:** Keybridge Capital Limited; Metgasco Ltd  
**Former directorships (in the last 3 years):** None  
**Special responsibilities:** Managing Director  
**Interests in units:** None

**Name:** Victor Siciliano  
**Title:** Executive Director  
**Qualifications:** Bachelor of Business (Banking & Finance) and Master of Applied Finance (Investment Management) and is RG146 compliant.  
**Experience and expertise:** Victor was appointed as Executive Director of Aurora Funds Management Limited on 9 January 2018. Victor has over 10 years' equity market experience, most recently as portfolio manager of the HHY Fund at Keybridge Capital Limited. Prior to this, Victor was employed as an assistant portfolio manager at boutique fund manager Sterling Equity and as an investment advisor at Macquarie Group.  
**Other current directorships:** None  
**Former directorships (in the last 3 years):** None  
**Special responsibilities:** Investment Manager  
**Interests in units:** Holds 93,535 (30 June 2018: Nil) units in the Fund.

**Name:** Anthony Hartnell AM  
**Title:** Non-Executive Director  
**Qualifications:** BEc LLB (Hons) (ANU), LLM (Highest Hons) (George Washington University)  
**Experience and expertise:** Anthony was appointed as Non-Executive Director of Aurora Funds Management Limited on 2 March 2018. Anthony has over 30 years of legal experience with expertise in Corporate and Commercial Law, particularly, regulatory issues, corporate financing, takeovers, trade practices and collective investments, with more recent emphasis on investigations and enforcement actions.  
**Other current directorships:** Molopo Energy Limited, Allegra Orthopaedics Limited and Parnell Pharmaceuticals Holdings Ltd.  
**Former directorships (in the last 3 years):** None  
**Special responsibilities:** Member of Compliance Committee, Chairman  
**Interests in units:** None

# Director's Report

## Information on directors (continued)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorship of all other types of entities, unless otherwise stated.

## Board and Committee meetings

Director

	Full Board		Compliance Committee	
	Held	Attended	Held	Attended
John Patton	17	17	4	4
Victor Siciliano	17	15	-	-
Anthony Hartnell AM	17	15	4	4

Held: represent the number of meetings held during the time the director held office.

## Interests held by the Responsible Entity and Directors

The number of units in the Fund held by the Responsible Entity, their related parties and Directors at the date of this report are disclosed in Note 14 to the financial statements.

## Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings. The Fund was not a party to any such proceedings during the year.

## 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 the following page.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*

On behalf of the directors



John Patton  
Managing Director  
30 September 2019  
Melbourne

## Auditor's Independence Declaration

To the Directors of Aurora Funds Management Limited as the Responsible Entity of  
Aurora Absolute Return Fund

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Aurora Absolute Return Fund for the year ended 30 June 2019, 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.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 30 September 2019

## Financial Statement

### Statement of profit or loss and other comprehensive income For the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>Investment income</b>			
Interest income		29	58
Dividend and distribution income		53,852	276,031
Net gains/(losses) on financial instruments held at fair value through profit or loss		(828,356)	(2,550,055)
<b>Total net investment income/(loss)</b>		<b>(774,475)</b>	<b>(2,273,966)</b>
<b>Expenses</b>			
Recoverable costs of Responsible Entity		67,773	67,773
Other operating expenses	12	112,772	131,309
Legal fees		338,658	87,482
<b>Total operating expenses</b>		<b>519,203</b>	<b>286,564</b>
<b>Operating profit/(loss) for the year</b>		<b>(1,293,678)</b>	<b>(2,560,530)</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	11	(51,993)	(190,488)
Decrease in net assets attributable to unitholders	10	1,345,671	2,751,018
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Earnings/(loss) per unit (basic/ diluted)</b>		<b>(0.159)</b>	<b>(0.300)</b>

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# Financial Statement

## Statement of financial position As at 30 June 2019

	Note	2019 \$	2018 \$
<b>Assets</b>			
Cash and cash equivalents	8	115	74
Dividends receivable		39,156	24,459
Receivables		1,972	1,770
Financial assets held at fair value through profit or loss	9	2,130,058	2,958,414
<b>Total assets</b>		<b>2,171,301</b>	<b>2,984,717</b>
<b>Liabilities</b>			
Distributions payable	11	34,448	24,341
Redemption payable		2,982	4,337
Provision for legal fees		336,651	-
Other payables		246,270	65,010
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>620,351</b>	<b>93,689</b>
<b>Net assets attributable to unitholders – liability</b>	10	<b>1,550,950</b>	<b>2,891,029</b>
<b>Liabilities attributable to unitholders</b>		<b>(1,550,950)</b>	<b>(2,891,029)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>

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

## Financial Statement

### Statement of changes in equity For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Balance at the beginning of the financial year		-	-
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
<b>Total comprehensive income</b>		-	-
Transactions with unitholders in their capacity as unitholders		-	-
<b>Total equity at the end of the financial year</b>		-	-

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

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

# Financial Statement

## Statement of cash flows For the year ended 30 June 2019

		Consolidated	
	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		-	1,173,517
Dividends and distributions received		39,155	251,572
Interest received		29	58
Withholding tax refunded by ATO		1,016	-
GST recovered/(paid)		10,479	4,069
Legal and professional fees paid		(2,118)	(87,482)
Payments of other expenses		(10,871)	(158,069)
<b>Net cash inflow/(outflow) from operating activities</b>	15(a)	37,690	1,183,665
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		5,592	24,427
Payments for redemptions by unitholders		(1,355)	(954,810)
Distributions paid to unitholders		(41,886)	(254,552)
<b>Net cash inflow/(outflow) from financing activities</b>		(37,649)	(1,184,935)
<b>Net (decrease)/increase in cash and cash equivalents</b>		41	(1,270)
Cash and cash equivalents at the beginning of the year		74	1,344
<b>Cash and cash equivalents at the end of the year</b>	8	115	74
<b>Non-cash financing activities</b>	15(b)	5,592	24,427

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

# Notes to Financial Statements

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# Notes to Financial Statements

## **Note 1. General information**

These financial statements cover Aurora Absolute Return Fund (the "Fund") as an individual entity. The Fund commenced operations on 4 July 2006 and was admitted to the Australian Securities Exchange ("ASX") on 10 July 2006, and is domiciled in Australia.

The Responsible Entity of the Fund is Aurora Funds Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Suite 613, Level 6, 370 St Kilda Road, Melbourne VIC 3004. The financial statements are presented in Australian currency.

It is recommended that these financial statements are considered together with ASX announcements and in accordance with the provisions of the governing documents of the Fund, and any public announcements made by the Fund during the year ended 30 June 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

The principal activities of the Fund during the financial year were managing its investment strategy in accordance with the provision of the Fund Constitution and the Product Disclosure Statement.

The financial statements were authorised for issue by the directors of the Responsible Entity as at the date of the directors' report. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **Note 2. Adoption of new and revised Accounting Standards**

### **New, revised or amending Accounting Standards and Interpretations adopted**

The Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Fund applies, for the first time, AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014). AASB 15 establishes a new revenue recognition model and changes the basis for determining whether revenue is to be recognised over time or at a point in time. This standard has had no material impact on the Fund's revenue recognition. AASB 9 introduces new classification and measurement requirements for financial assets, a forward-looking impairment model and revised hedge accounting requirements. The Fund's only material financial assets are its equity investments which continue to be accounted for at fair value through profit or loss under AASB 9. Accordingly, the first-time application of AASB 9 has not had a material impact on the Fund.

## **Note 3. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

# Notes to Financial Statements

## Note 3. Significant accounting policies (continued)

### ***Basis of preparation***

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been 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 do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

### ***Critical accounting estimates***

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

### ***Due from/to brokers***

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within two business days. For amounts due from brokers, the Fund applies a simplified approach in calculating Expected Credit Losses (ECLs). Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on at each reporting date.

### ***Payables***

All expenses, including Responsible Entity's fees are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis. Unpaid amounts are recognised in the Statement of Financial Position as other payables.

### ***Investment income***

Interest income is recognised in profit or loss for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 6.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts when it is probable that the economic benefit will flow to the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

# Notes to Financial Statements

## **Note 3. Significant accounting policies (continued)**

### ***Investment income (continued)***

Dividend income is recognised on the ex-dividend date, inclusive of any related foreign withholding tax. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statement of Profit or Loss and Other Comprehensive Income.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date. Fund distributions are recognised on an entitlements basis.

### ***Expenses***

All expenses, including Responsible Entity's fees are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

### ***Goods and Services Tax ('GST')***

The GST incurred on the costs of various services provided to the Fund by third parties, have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITCs) at a rate of 55% or 75%; hence management fees and other expenses have been recognised in the Statement of Profit or Loss and Other 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 net basis.

### ***Income tax***

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund. The benefit of imputation credits and foreign tax paid is passed on to unitholders.

### ***Foreign currency translation***

#### **(i) Functional and presentation currency**

Items included in the Fund'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 Fund competes for funds and is regulated. The Australian dollar is also the Fund'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 Profit or Loss and Other 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 the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of Profit or Loss and Other Comprehensive Income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

## Notes to Financial Statements

### Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### Key sources of estimation uncertainty

##### 1. Molopo Energy Limited (ASX: MPO)

As at 30 June 2019, AFARF held an investment in the ordinary shares of MPO, which was suspended from trading on the Australian Stock Exchange on 27 July 2017 and remains suspended as at the date of this report.

As previously advised, Aurora considers that the actions of the former Molopo directors have substantially and adversely affected the value of Molopo's assets. As such, Aurora has considered the carrying value of its investment in Molopo and has decided to further write the value of its investment down from 1.9 cents to 1.5 cents. The rationale for this decision is summarised below:

- Aurora considers the appropriate carrying value of its investment in Molopo to be calculated as follows:
  - o cash reserves of \$12.3 million; less
  - o litigation provision of \$8.6 million. In the audited Molopo financial statements for the year ended 31 December 2018 this provision was removed as a liability in the balance sheet and disclosed as a contingent liability. Given the uncertainty surrounding this liability, Aurora has not removed the liability from its valuation calculation.
  - o divided by 249,040,648 ordinary shares on issue;
  - o the total estimated value equates to a value of **1.5 cents per share**
- As more information is released by Molopo on the Drawbridge shareholding as well as the Canadian litigation, it may be appropriate for Aurora to revisit the carrying value of its Molopo investment.

In its Quarterly Activities Report at 30 June 2019, Molopo advised that it continues to vigorously pursue its claims in the Supreme Court of Victoria against the former directors of the Company. Aurora has also lodged a letter of demand with Molopo and will continue to vigorously pursue its claim to recover value that has been lost by the former directors of Molopo.

The fair value of Aurora's investment in Molopo is based on significant estimates and judgements adopted by management of Aurora based on all available information about Molopo as at the date of the 30 June 2019 financial report.

# Notes to Financial Statements

## **Note 4. Critical accounting judgements, estimates and assumptions (continued)**

### *Key sources of estimation uncertainty (continued)*

#### **2. RNY Property Trust (ASX: RNY)**

The Master Fund holds an investment in Aurora Property Buy-Write Income Trust ("AUP"). The Directors have determined to carry AUP's investment in RNY Property Trust (RNY) at \$0.044 (being 4.4 cents) per unit at 30 June 2019. In reaching this position, the Directors considered the following factors:

- RNY units are thinly traded on the ASX, and were suspended from trading on 1 April 2019 due to the failure to lodge audited financial statements for the year. Historically, RNY have traded at a discount to the underlying net asset position.
- The unaudited net asset position of RNY is \$0.049 per unit, as advised by RNY to the ASX on 27 September 2019.

Having regard to the above factors, the Directors have determined a fair value of \$0.044 per unit in RNY.

On 2 July 2018, Huntley received confirmation from ASIC that its request for a variation of its Australian Financial Services Licence had been approved, thereby enabling Huntley to become the responsible entity of RNY, replacing RAML, effective immediately. Also, as at that date, Huntley appointed Aurora Funds Management Limited as the Investment Manager of RNY.

On 31 August 2018, Aurora Funds Management Limited, in its capacity as Investment Manager of RNY, successfully executed a Loan Modification deed with RNY's US lender, ACORE Capital, effectively curing the loan default that previously existed over the five commercial properties.

On 8 February 2019, Aurora agreed a one year senior loan extension with ACORE. CBRE also replaced Winthrop as the property sub-manager for the RNY properties.

## **Note 5. Operating segments**

### *Identification of reportable operating segments*

The Fund comprised the single business segment which operates solely in the business of investment management within Australia. While the Fund operates within Australia only (the geographical segment), the Fund may have asset exposures in different countries and across different industries.

### *Operating segment information*

As the Fund operates in a single operating segment, these financial statements represent the required financial information of that segment.

### *Accounting policy for operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM') which has been identified as the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

# Notes to Financial Statements

## Note 6. Financial Instruments

### *Capital risk management*

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

### *Financial risk management*

The Fund's activities expose it to a variety of financial risks which is reflected in the Fund's net gains/losses: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focusses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximize the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the investment management department of the Responsible Entity under policies approved by the Board of Directors of the Responsible Entity ("the Board").

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

### **(a) Market risk**

#### *(i) Price risk*

Price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by the Responsible Entity through ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly by the investment manager on a total portfolio basis, which includes the effect of any derivatives.

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Investments are classified in the Statement of Financial Position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

A sensitivity analysis was performed showing how the effect of a 10% increase and a 10% decrease in market prices would have increased/decreased the impact on operation profit/net assets attributable to unitholders as at 30 June 2019. The results of this analysis are disclosed in Note 6(b).

#### *(ii) Foreign exchange risk*

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund has no direct exposure to foreign currency and no sensitivity analysis was performed.



## Notes to Financial Statements

### Note 6. Financial Instruments (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk

The Fund is exposed to interest rate risk on financial instruments with variable interest rates.

The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. The only financial assets held by the Fund subject to interest rate risk are cash and cash equivalents.

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest-bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain assets that use interest rates as input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There is no significant direct interest rate risk in the Fund as the Fund does not hold interest rate sensitive financial instruments. The interest rates on deposits at bank and on bank overdrafts are both rates referenced to RBA cash rate.

A sensitivity analysis was performed showing how the effect of a 100 basis point increase and a 100 basis point decrease in interest rates on cash and cash equivalents would have increased/decreased the impact on operating profit/net assets attributable to unitholders as at 30 June 2019. The results of this analysis are disclosed in Note 6(b).

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair value, categorised by the earlier of contractual repricing or maturity dates.

	Floating interest rate	Fixed interest rate	Non interest bearing	Total
30 June 2019				
<b>Financial assets</b>	AUD	AUD	AUD	AUD
Cash and cash equivalents	115	-	-	115
Dividend receivables	-	-	39,156	39,156
Receivables	-	-	1,972	1,972
Financial assets held at fair value through profit or loss	-	-	2,130,058	2,130,058
<b>Financial liabilities</b>				
Distribution payable	-	-	(34,448)	(34,448)
Redemptions payable	-	-	(2,982)	(2,982)
Provision for legal fees	-	-	(336,651)	(336,651)
Other payables	-	-	(246,270)	(246,270)
Net exposure	115	-	1,550,835	1,550,950

## Notes to Financial Statements

### Note 6. Financial Instruments (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

	Floating interest rate	Fixed interest rate	Non interest bearing	Total
30 June 2018				
<b>Financial assets</b>	AUD	AUD	AUD	AUD
Cash and cash equivalents	74	-	-	74
Dividend receivables	-	-	24,459	24,459
Receivables	-	-	1,770	1,770
Financial assets held at fair value through profit or loss	-	-	2,958,414	2,958,414
<b>Financial liabilities</b>				
Distribution payable	-	-	(24,341)	(24,341)
Redemptions payable	-	-	(4,337)	(4,337)
Other payables	-	-	(65,010)	(65,010)
Net exposure	74	-	2,890,955	2,891,029

#### (b) Price risk and Interest rate risk

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to the price risk and interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and historical market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Price Risk		Interest Rate Risk	
	Impact on operating profit/net assets attributable to unitholders			
	unitholders			
	-10%	10%	-100 bps	+100 bps
	\$	\$	\$	\$
30 June 2019	(213,006)	213,006	(1)	1
30 June 2018	(295,841)	295,841	(1)	1

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonably possible shift in assumptions.

#### (c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

The main concentration of credit risk to which the Fund is exposed arises from cash and cash equivalents and amounts due from other receivables.



## Notes to Financial Statements

### Note 6. Financial Instruments (continued)

#### (c) Credit risk (continued)

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved; and
- ensuring transactions are undertaken with a large number of counterparties.

The Fund has a prime brokerage agreement with Interactive Brokers, the Fund's prime broker, and some of the Fund's assets will be pledged as collateral for amounts drawn under the overdraft facility. There was no overdraft position as at 30 June 2019 (2018: nil).

Certain assets of the Fund will be held by the Prime Broker in segregated accounts together with assets deposited by it on behalf of other customers of the Prime Broker. Such assets will not be mixed with the property of the Prime Broker and should not be available to third party creditors of the Prime Broker in the event of insolvency of the Prime Broker. However, the assets of the Fund held by the Prime Broker will be subject to a charge to secure the Fund's obligations to the Prime Broker.

The main concentration of credit risk to which the Fund is exposed arises from cash and cash equivalents.

The Fund has a material credit risk exposure to the banks (Westpac and Interactive Brokers) that hold the Fund's cash assets at 30 June 2019.

An analysis of exposure by rating is set out in the table below:

	2019 \$	2018 \$
<b>Rating</b>		
AA	115	74
<b>Total</b>	<b>115</b>	<b>74</b>

#### (i) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

#### (ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is considered low as the counterparty has a rating of AA.

In accordance with the Fund's Constitution, the investment manager monitors the Fund's credit position of a daily basis, and the Board of Directors reviews it on a quarterly basis.

#### (iii) Other

The Fund is not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired, nor past due.

## Notes to Financial Statements

### Note 6. Financial Instruments (continued)

#### (d) Liquidity risk

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

The Fund invests directly into the Master Fund which was exposed to daily cash redemptions of redeemable units up until February 2016. From 1 January 2017, the Responsible Entity announced that redemption requests will be processed on a quarterly basis. The Fund will continue to have difficulty to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements.

The investment manager monitors liquidity on a daily basis. Compliance with the Fund's policy is reported to the Board on a monthly basis.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

30 June 2019	Less than 1 month	1-6 months	6-12 months	1-2 years	Total
<b>Liabilities</b>					
Distribution payable	34,448	-	-	-	34,448
Redemption payable	2,982	-	-	-	2,982
Provision for legal fees		336,651			336,651
Other payables	246,270	-	-	-	246,270
Net assets attributable to unitholders	-	1,550,950	-	-	1,550,950
<b>Contractual cash flows (excluding gross settled derivatives)</b>	283,700	1,887,601	-	-	2,171,301
30 June 2018	Less than 1 month	1-6 months	6-12 months	1-2 years	Total
<b>Liabilities</b>					
Distribution payable	24,341	-	-	-	24,341
Redemption payable	4,337	-	-	-	4,337
Other payables	65,010	-	-	-	65,010
Net assets attributable to unitholders	-	2,891,029	-	-	2,891,029
<b>Contractual cash flows (excluding gross settled derivatives)</b>	93,688	2,891,029	-	-	2,984,717

# Notes to Financial Statements

## Note 7. Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis through profit or loss (FVTPL).

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

### *Fair value hierarchy*

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

### **(i) Fair value in an active market (level 1)**

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies within this note to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### **(ii) Fair value in an inactive or unquoted market (level 2 and level 3)**

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, volume weighted average prices 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.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

## Notes to Financial Statements

### Note 7. Fair value measurement (continued)

#### (ii) Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

The following tables detail the Fund's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2019				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	2,130,058	-	2,130,058
<b>Total financial assets</b>	-	2,130,058	-	2,130,058

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2018				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	2,958,414	-	2,958,414
<b>Total financial assets</b>	-	2,958,414	-	2,958,414

As announced to the ASX on 2 September 2019, the Master Fund's investment in Aurora Property Buy-Write Income Trust is valued at the last traded price on the ASX at 30 June 2019 (being \$1.75 per unit). Aurora notes the Net Asset Value of Aurora Property Buy-Write Income Trust at 30 June 2019 is \$6.195 per unit based on the audited financial statements of Aurora Property Buy-Write Income Trust.

#### *Transfers between levels*

There were no transfers between levels during the financial year (2018: Nil).

#### *Valuation techniques for fair value measurements*

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

#### *Accounting policy for fair value measurement*

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assume that the transaction will take place either: in the principal market; or in the absence of a principal market; in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## Notes to Financial Statements

### Note 7. Fair value measurement (continued)

#### *Accounting policy for fair value measurement (continued)*

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison where applicable, with external sources of data.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

### Note 8. Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank	115	74
<b>Total cash and cash equivalents</b>	<b>115</b>	<b>74</b>

#### *Accounting policy for cash and cash equivalents*

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities in the Statement of Cash Flows, as movements in the fair value of these securities represent the Fund's main income generating activity.

### Note 9. Financial assets held at fair value through profit or loss

	2019 \$	2018 \$
<b>Designated at fair value through profit or loss</b>		
Unlisted unit trusts	2,130,058	2,958,414
<b>Total financial assets held at fair value through profit or loss</b>	<b>2,130,058</b>	<b>2,958,414</b>

An overview of the risk exposure relating to financial assets held at fair value through profit or loss is included in Note 6.

## Notes to Financial Statements

### Note 10. Net assets attributable to unitholders

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

	2019 No.	2018 No.	2019 \$	2018 \$
<b>Opening balance</b>	8,113,656	9,502,689	2,891,029	6,574,585
Applications	-	-	-	-
Redemptions	-	(1,425,731)	-	(956,965)
Buy backs	-	-	-	-
Units issued upon reinvestment of distributions	17,122	36,698	5,592	24,427
Increase/(decrease) in net assets attributable to unitholders	-	-	(1,345,671)	(2,751,018)
<b>Closing balance</b>	<b>8,130,778</b>	<b>8,113,656</b>	<b>1,550,950</b>	<b>2,891,029</b>

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

#### *Accounting policy for net assets attributable to unitholders*

Applications and redemptions for units can be conducted on the ASX platform (on market) or by using the current PDS (off market).

#### *On Market*

Unitholders may instruct their stockbroker or financial adviser to purchase or sell units on the ASX platform.

#### *Off Market*

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets for the Fund, divided by the number of units on issue.

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

The Fund is subject to redemption guidelines where redemption requests are processed and paid on a quarterly basis (up to a maximum of a total of 10% of the Funds Under Management ("FUM") of the Fund in the relevant quarter).

## Notes to Financial Statements

### Note 11. Distribution to unitholders

The distributions for the year were as follows:

	2019 \$	2019 CPU	2018 \$	2018 CPU
Distributions paid	17,545	0.50	166,147	2.03
Distributions payable (30 June 2019 quarter)	11,378	0.14	24,341	0.30
Other distributions payable from previous quarters	23,070	-	-	-
<b>Total distributions</b>	<b>51,993</b>	<b>0.64</b>	<b>190,488</b>	<b>2.33</b>

#### *Accounting policy for distribution to unitholders*

The Fund distributes its distributable income in accordance with the Fund Constitution, to unitholders by cash or reinvestment. The distributions are recognised in profit or loss as finance costs attributable to unitholders. Unpaid amount is recognised in the Statement of Financial Position.

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs.

### Note 12. Other operating expenses

	2019 \$	2018 \$
Bank fees	1	97
Recovery costs	112,771	125,370
Other operating expenses	-	5,842
<b>Total other operating expenses</b>	<b>112,772</b>	<b>131,309</b>

## Notes to Financial Statements

### Note 13. Remuneration of auditors

During the financial year, the following fees were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor of the Fund. The auditor of the Fund is Grant Thornton. The previous auditor of the Fund was Deloitte Australia. The Responsible Entity is responsible for paying this remuneration of auditor on behalf of the Fund.

	2019 \$	2018 \$
<b>Audit and other assurance services</b>		
Audit and review of financial statements (Grant Thornton)	16,851	13,459
Audit and review of financial statements (Deloitte Australia)	-	42,756
Audit of compliance plan (Grant Thornton)	4,692	-
<b>Total remuneration for audit and other assurance services</b>	<b>21,543</b>	<b>56,215</b>
<b>Taxation services</b>		
Tax compliance services (Grant Thornton)	8,393	2,500
Tax compliance services (Deloitte Australia)	-	26,000
<b>Total remuneration for tax services</b>	<b>8,393</b>	<b>28,500</b>
<b>Total remuneration of auditors</b>	<b>29,936</b>	<b>84,715</b>

### Note 14. Related party transactions

#### *Responsible Entity*

The Responsible Entity of Aurora Absolute Return Fund is Aurora Funds Management Limited. In the period to 30 June 2019, Aurora Funds Management Limited acquired units in Aurora Absolute Return Fund, as set out below.

#### *Key management personnel unitholdings*

As at 30 June 2019, Victor Siciliano holds 93,535 (2018: Nil) units in Aurora Absolute Return Fund. Victor Siciliano is Executive Director of Aurora Funds Management Limited.

#### *Key management personnel compensation*

Key management personnel are paid by Aurora Funds Management Limited. Payments made from the Fund to Aurora Funds Management Limited do not include any amounts directly attributable to the compensation of key management personnel.



## Notes to Financial Statements

### Note 14. Related party transactions (continued)

#### *Related party unitholdings*

Aurora Funds Management Limited holds 1,068,990 units (30 June 2018: 357,181 units) in the Fund, the fair value of which is \$203,963 (30 June 2018: \$127,269). Distributions of \$4,350 (30 June 2018: \$8,322) were paid/payable by the Fund to Aurora Funds Management Limited.

#### *Other related party information*

##### Aurora Corporate

Aurora Corporate Pty Ltd (formerly Seventh Orion Pty Ltd) as Trustee for the Aurora Investments Unit Trust (Aurora Corporate) owns 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity of Aurora Fortitude Absolute Return Fund.

Aurora Corporate Pty Ltd (formerly Seventh Orion Pty Ltd) is 50% owned by John Patton, the Managing Director of Aurora Funds Management Limited, and 50% owned by Victor Siciliano, an Executive Director of Aurora Funds Management Limited.

##### Directorships

Mr John Patton was appointed to the Boards of the following listed entities held by other managed investment schemes also managed by the Responsible Entity:

- Mr Patton was appointed to the Board of Keybridge Capital Limited as a Non-Executive Director on 10 August 2016 and was subsequently appointed to the role of Executive Chairman on 13 October 2016; and
- Mr Patton was appointed to the Board of Metgasco Limited as a Non-Executive Director on 19 September 2016.

#### *Investments*

The Fund holds 8,701,218 units (30 June 2018: 8,701,218 units) in the Master Fund, the fair value of which is \$2,130,058 (30 June 2018: \$2,958,414). Distributions of \$53,948 (30 June 2018: \$276,031) were paid/payable by the Master Fund to the Fund.

### *Responsible Entity's/manager's fees and other transactions (continued)*

The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	2019 \$	2018 \$
Recoverable costs of Responsible Entity for the year paid/payable by the Fund to the Responsible Entity	67,773	67,773
Other expenses for the year paid/payable by the Fund to the Responsible Entity	112,771	125,370
Aggregate amount payable to the Responsible Entity for management and responsible entity fees at the end of the reporting period	246,270	30,750

No amounts were paid by the Fund directly to the key management personnel of Aurora Funds Management Limited.

## Notes to Financial Statements

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

	2019 \$	2018 \$
<b>(a) Reconciliation of (loss)/profit to net cash inflow from operating activities</b>		
Profit/(loss) for the year	-	-
(Decrease)/increase in net assets attributable to unitholders	(1,345,671)	(2,751,018)
Distribution to unitholders	51,993	190,488
Proceeds from sale of financial instruments held at fair value through profit or loss	-	1,173,517
Net losses/(gains) on financial instruments held at fair value through profit or loss	828,356	2,550,056
Net change in receivables	(14,899)	(20,391)
Net change in payables	181,260	41,013
Net cash inflow/(outflow) from operating activities	(298,961)	1,183,665
	2019 \$	2018 \$
<b>(b) Non-cash financing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	5,592	24,427

### Note 16. Events after the reporting period

Other than the events mentioned in the Directors' Report, no significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2019 or on the results and cash flows of the Fund for the year ended on that date.

### Note 17. Commitments

There were no commitments for the expenditure as at 30 June 2019 (2018: Nil).

### Note 18. Contingent assets and liabilities

There were no contingent assets and liabilities as at 30 June 2019 (2018: Nil).

## Director's Declaration

The Directors of the Responsible Entity declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the financial statements;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position performance of the Fund; and
- (d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001*.

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

On behalf of the Responsible Entity, Aurora Fund Management Limited.

A handwritten signature in black ink, appearing to read 'John Patton', with a stylized, flowing script.

John Patton  
Managing Director  
30 September 2019

# Independent Auditor's Report

## To the Unitholders of Aurora Absolute Return Fund

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Aurora Absolute Return Fund (the Fund), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a Giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### 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 are independent of the Fund 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* (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.

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Valuation and existence of financial assets and financial liabilities held at fair value through profit or loss (Notes 4, 7 and 9)</b>	
<p>As at 30 June 2019, the Fund's financial assets held at fair value through profit or loss amounted to \$2,130,058 as per the disclosure in Note 9 and is solely units in the Aurora Fortitude Absolute Return Fund.</p> <p>Aurora Fortitude Absolute Return Fund is an unlisted registered managed investment scheme and for this reason the fair value of the units held are derived based on audited net tangible assets.</p> <p>As the Aurora Absolute Return Fund's key asset is its investment in the Aurora Fortitude Absolute Return Fund, the valuation and existence of the investment is considered a key audit matter. It is the area which had the greatest effect on our overall audit strategy and allocation of time and resources in planning and completing our audit.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting and assessing the processes and control environment in place to buy and sell investments in the portfolio, including the process to value investments within the portfolio;</li> <li>• Comparing the number of units at balance date to the unit holder registry of Aurora Fortitude Absolute Return Fund;</li> <li>• Performing a recalculation of the total value of investments based on the audited net tangible assets multiplied by the number of units; and</li> <li>• Assessing the appropriateness of disclosures in Note 4, 7 and 9 to the financial statements.</li> </ul>

## Information other than the financial report and auditor's report thereon

The Directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2019, 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the financial report

The Directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that 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 are responsible for assessing the Fund's ability 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 either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 30 September 2019

## Additional Information

The additional information required by Australian Stock Exchange Limited Listing Rules and not disclosed anywhere in the report.

### **Investments**

As at 30 June 2019, the Fund held the following investments:

Aurora Fortitude Absolute Return Fund

### **Investment Transactions**

The total number of contract notes that were issued for transactions in securities during the financial year was nil.

The total brokerage paid on these contract notes was nil.

## Unitholder Information

The unitholder information set out below was applicable as at 24 September 2019.

### Distribution of holdings

	Total holders	Units	Percentage of issued units
1 - 1,000	62	11,326	0.14%
1,001 - 5,000	105	274,679	3.38%
5,001 - 10,000	72	503,871	6.19%
10,001 - 100,000	112	2,791,584	34.32%
100,001 and over	11	4,552,676	55.97%
Total	362	8,134,136	100.00%

The names of the twenty largest unitholders of ordinary units are listed below:

	Number of units held	Percentage of issued units
1 AURORA FUNDS MANAGEMENT LIMITED	1,068,990	13.14%
2 WONFAIR INVESTMENTS PTY LTD	900,000	11.06%
3 MR TIM SANDEMAN STAERMOSE	780,010	9.59%
4 MR CHOR LENG TAN	425,000	5.23%
5 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	405,966	4.99%
6 MR MICHAEL RIGONI	191,334	2.35%
7 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	186,750	2.30%
8 NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	184,284	2.27%
9 SOLANO INVESTMENT LLC	168,089	2.07%
10 MR WILLIAM STUART MILLAR	122,000	1.50%
11 MR ZACHARY DAVID FRASER	120,253	1.48%
12 WONFAIR INVESTMENTS PTY LTD	100,000	1.23%
13 MR MAXWELL GEORGE EARSMAN <EARSMAN FAMILY SUPER A/C>	94,289	1.16%
14 MR VICTOR FRED SICILIANO	93,535	1.15%
15 MRS JUDITH RUTH SCOTT	74,656	0.92%
16 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,297	0.88%
17 BOND STREET CUSTODIANS LIMITED <MMILNE - V39433 A/C>	70,800	0.87%
18 CITICORP NOMINEES PTY LIMITED	61,197	0.75%
19 MR ROBERT ARTHUR CREECE & MRS MARIELYN ELAINE CREECE <THE CREECE FAMILY SUPER A/C>	60,000	0.74%
20 LAYBEN PTY LIMITED <O'MALLEY FAMILY FUND A/C>	59,359	0.73%
Total held by top twenty holders	5,237,809	64.41%



## Unitholder Information

### Substantial holders

The substantial shareholders of the Trust as at 24 September 2019, as notified to the ASX, are listed below:

Unitholder	Number of Units	Percentage of issued units
Aurora Funds Management Limited	1,068,990	13.14%
Wonfair Investments Pty Ltd	900,000	11.06%
Mr Tim Sandeman Staermose	780,010	9.59%
Mr Chor Leng Tan	425,000	5.22%
Total	<b>3,174,000</b>	<b>39.01%</b>

## Corporate Directory

Directors of Responsible Entity	John Patton - <i>Managing Director</i> Victor Siciliano - <i>Executive Director</i> Anthony Hartnell AM – <i>Non-Executive Director</i>
Company Secretaries	Adrian Tilley John Patton
Registered Office	Suite 613, Level 6, 370 St Kilda Road Melbourne, VIC 3004
Share Register	Boardroom Pty Limited Level 12, 225 George Street Sydney, VIC 3000
Auditor and Taxation Advisor	Grant Thornton Collins Square, Tower 5 727 Collins Street Melbourne, VIC 3008
Solicitors	Jeremy Kriewaldt Lawyers Suite 502, 75-85 Elizabeth Street Sydney, NSW 2000
Stock Exchange Listing	Aurora Absolute Return Fund units are listed on the Australian Securities Exchange (ASX code: ABW)
Website	<a href="http://www.aurorafunds.com.au">www.aurorafunds.com.au</a>
Corporate governance statement	Aurora Funds Management's Corporate Governance Statement can be found on its website: <a href="http://www.aurorafunds.com.au/wp-content/uploads/Corporate-Governance-Statement.pdf">http://www.aurorafunds.com.au/wp-content/uploads/Corporate-Governance-Statement.pdf</a>