

**Aurora Sandringham Dividend Income Trust**  
ARSN 108 249 154  
**and Controlled Entities**

**ANNUAL REPORT**

**For the year ended 30 June 2011**

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## Corporate directory

Directors of Responsible Entity	John Corr <b>B Comm</b>  Alastair Davidson <b>B.Sc Economics (Hons) CA</b>  Richard Matthews <b>B.Sc B.A. B.Ec MPA, Grad Dip App Fin</b>  Simon Lindsay <b>B. BUS</b>  Ian Steuart Roe <b>BSc MAppFin</b>
Company Secretary	Richard Matthews <b>B.Sc B.A. B.Ec MPA, Grad Dip App Fin</b>
Principal Registered Office in Australia	Level 2, 350 George Street Sydney, NSW 2000  (02) 9080 2377
Share register	Boardroom Limited Level 7, 207 Kent Street, Sydney, NSW, Australia 2000
Auditor	PwC Darling Park Tower 2 201 Sussex Street Sydney NSW 1171
Solicitors	Baker & McKenzie Level 27, AMP Centre 50 Bridge Street Sydney NSW 2000
Stock exchange listings	Aurora Sandringham Dividend Income Trust units are listed on the Australian Securities Exchange (ASX)
Website address	<a href="http://www.aurorafunds.com.au">www.aurorafunds.com.au</a>

## Directors' report

The directors of Aurora Funds Management Limited (ABN 69 092 626 885), the responsible entity of Aurora Sandringham Dividend Income Trust ("the Trust"), present their report together with the financial report of the Trust and the auditors report, for the year ended 30 June 2011.

### Principal activities

The Trust commenced operations on 14 November 2005. The comparative period is for the 12 months ended on 30 June 2010.

On 11 February 2011, the Trust changed its investment strategy and commenced investing into the unlisted Aurora Dividend Income Trust (ARSN 151 947 732) ("the Master Trust"), in accordance with the provisions of the Trust Constitution.

The Trust did not have any employees during the year.

### Directors

The following persons held office as directors of Aurora Funds Management Limited during the year or since the end of the year and up to the date of this report:

Alastair Davidson  
Richard Matthews  
Simon Lindsay  
John Corr (appointed 9 July 2010)  
Steuart Roe (appointed 9 July 2010)  
Oliver Morgan (resigned 9 July 2010)  
Anthony Jones (resigned 9 July 2010)

### Review and results of operations

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

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

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>Operating profit/(loss) before finance costs attributable to unit holders</b>	<b>1,190,956</b>	<b>(608,217)</b>
<b>Distributions paid and payable</b>	<b>2,044,218</b>	<b>2,624,043</b>
Distribution (cents per unit) 30 September	1.50	-
Imputation credits (cents per unit) 30 September	-	-
Distribution (cents per unit) 31 December	1.50	3.00
Imputation credits (cents per unit) 31 December	-	2.40
Distribution (cents per unit) 31 March	1.50	1.60
Imputation credits (cents per unit)	-	1.00
Distribution (cents per unit) 30 June	1.50	1.60
Imputation credits (cents per unit)	3.16	0.11

## Directors' report (continued)

### Financial Position

#### *Net Tangible Assets per unit as disclosed to the ASX*

Net Tangible Assets per unit as disclosed to the ASX (excluding distribution, but not accumulated imputation credits) are shown as follows:

	30 June 2011	30 June 2010
	\$	\$
At 30 June	0.956	0.993
High during period	1.049	1.114
Low during period	0.956	0.993

### Significant changes in state of affairs

Fortitude Capital Pty Limited, Sandringham Capital Pty Limited and Aurora Funds Management Limited were acquired on 9 July 2010 by Aurora Funds Limited (an ASX listed entity). Fortitude Capital Pty Ltd became the Investment Manager of the Trust on 1<sup>st</sup> February 2011. In the opinion of the directors, there were no other significant changes in the state of affairs of the Trust that occurred during the financial year.

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

No matter or circumstance that has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

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

### Likely developments and expected results of operations

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

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust 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 operation of the Trust 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 Trust.

### Indemnity and insurance of officers

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

### Indemnity of auditors

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

## Directors' report (continued)

### Fees paid to and interests held in the Trust by the responsible entity or its associates

Fees paid to the responsible entity and its associates out of Trust property during the year are disclosed in note 13 to the financial statements.

No fees were paid out of Trust property to the directors of the responsible entity during the year.

The number of interests in the Trust held by the responsible entity or its associates as at the end of the financial year are disclosed in note 13 to the financial statements.

### Interests in the Trust

The movement in units on issue in the Trust during the period is disclosed in Note 7 of the financial statements.

The value of the Trust's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in note 2 to the financial statements.

### Environmental regulation

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

### Information on Directors

#### **Directors**

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

**John Corr B Comm**, *Executive Director, Chief Investment Officer, Age 48*

John is the Managing Director and founder of Fortitude Capital Pty Ltd. John has over 24 years experience in the financial markets. Prior to establishing Fortitude Capital, he was a director at Citigroup Global Markets Australia. He worked in proprietary trading for eight years, trading local and overseas equities and equity derivatives, and was responsible for the management and development of a team of equity proprietary traders. John is responsible for the overall portfolio and risk management of Fortitude's various investment funds.

**Alastair Davidson B.Sc Economics (Hons) CA**, *Executive Director, Head of Institutional Business, Age 53*

Alastair is a founding director of Aurora Funds Management Limited. He has over 27 years experience in senior executive roles in the United Kingdom, United States and Australian banking and financial services industries.

Prior to Aurora Funds Management Limited, Alastair was the Head of Investment Banking at Challenger International Limited. There, he was instrumental in developing investment products including hedge funds, hybrids, fixed interest, and venture capital. Previous to that he was co-head of the structured product group at Salomon Smith Barney (County NatWest) in Sydney, and specialised in equity derivative based investment products. Alastair is also a director of the ASX-listed company, Biotech Capital Limited.

**Simon Lindsay B. BUS**, *Executive Director, Head of Distribution, Age 40*

Simon is a founding director of AFML and is responsible for the Australian and New Zealand distribution of Aurora Funds Management Limited's products. He brings to the Company over 17 years experience in financial services, and has an extensive knowledge of the Australian financial planning market from his previous business development experience at both Challenger International Limited and Ord Minnett Limited.

## Directors' report (continued)

### Information on Directors (continued)

#### Directors (continued)

**Richard Matthews** B.Sc B.A. B.Ec MPA, Grad Dip App Fin, *Executive Director, Chief Operating Officer and Company Secretary, Age 42*

Richard is a founding director of A FML. He has over 17 years experience in investment analysis, investment banking, and funds management. He is responsible for product establishment and administration, business administration, and compliance. Richard was formerly Senior Manager of Investment Banking (Equity Capital Markets) at Challenger International Limited, and an Associate Director of Challenger Beston Limited. He has significant experience in establishing and administering listed and unlisted investment schemes, equity capital market issues, equity swaps, and other specialised corporate structured products.

**Ian Stuart Roe** BSc MAppFin, *Chairman and Managing Director, Age 44*

Prior to founding Sandringham Capital Pty Limited in 2005, Stuart was Executive Director and Head of Equity Risk Management Products for UBS in Australasia. His responsibilities included the origination, structuring and distribution of equity derivative and cash products to corporate, financial intermediaries and retail clients. From 1992 to 2001 he worked for Citigroup (formerly Salomon Smith Barney and County NatWest) holding numerous roles including, director and Head of Corporate and Retail Equity Derivative Products, Head of Equity Risk Management, Associate Director and Portfolio Manager Structured investments.

#### Fees Paid to the Responsible Entity and Investment Manager

Fees paid to the Responsible Entity and Investment Manager out of the Trust's assets during the year are as follows:

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
Management fee	338,047	451,186

#### Interests Held by the Responsible Entity and Directors

There were no units of the Trust held by the Responsible Entity or its associates or by Directors at the date of this report.

#### Remuneration report

The responsible entity of Aurora Sandringham Dividend Income Trust is Aurora Funds Management Limited. Key management personnel are the executive directors of Aurora Funds Management Limited. The key management remuneration disclosures required under AASB 124 are provided in the financial statements of the responsible entity.

#### Proceedings on behalf of Trust

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

## Directors' report (continued)

### Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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



Steuart Roe

Director

Date: 23 September 2011





## Auditor's Independence Declaration

As lead auditor for the audit of Aurora Sandringham Dividend Income Trust for the year ended 30 June 2011, 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.

This declaration is in respect of Aurora Sandringham Dividend Income Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Andrew J Wilson', with a long horizontal flourish extending to the right.

Andrew J Wilson  
Partner  
PricewaterhouseCoopers

Sydney  
23 September 2011

## Consolidated Statement of Comprehensive Income

	Notes	Year ended	
		30 June 2011	30 June 2010
		\$	\$
<b>Investment income</b>			
Interest income		573,008	824,651
Dividend and distribution income		1,352,578	4,115,796
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	368,343	(4,471,891)
Other operating income		2,689	10,318
<b>Total net investment income/(loss)</b>		<u>2,296,618</u>	<u>478,874</u>
<b>Expenses</b>			
Management fee	13	338,047	451,186
Administration costs		106,031	145,238
Other operating expenses	4	661,584	490,667
<b>Total operating expenses</b>		<u>1,105,662</u>	<u>1,087,091</u>
<b>Operating profit/(loss)</b>		<u>1,190,956</u>	<u>(608,217)</u>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	8	2,044,218	2,624,043
Increase/(decrease) in net assets attributable to unit holders	7	(853,262)	(3,232,260)
<b>Profit/(loss) for the year</b>		-	-
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

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

## Consolidated Balance sheet

	Notes	As at	
		30 June 2011	30 June 2010
		\$	\$
<b>Assets</b>			
Cash and cash equivalents	9	6,217,842	19,557,278
Receivables		266,330	789,644
Financial assets held at fair value through profit or loss	10	<u>44,527,395</u>	<u>60,056,129</u>
<b>Total assets</b>		<u>51,011,567</u>	<u>80,403,051</u>
<b>Liabilities</b>			
Distributions payable		421,620	670,367
Due to brokers - payable for securities purchased		9,609,164	34,452,561
Financial liabilities held at fair value through profit and loss	11	16,368,617	4,979,440
Other liabilities		<u>126,899</u>	<u>107,792</u>
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>26,526,300</u>	<u>40,210,160</u>
<b>Net assets attributable to unit holders - liability</b>	7	<u>24,485,267</u>	<u>40,192,891</u>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

## Consolidated Statement of Changes in Equity

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>Total equity at the beginning of the year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
	<hr/>	<hr/>
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as equity holders	-	-
	<hr/>	<hr/>
<b>Total equity at the end of the financial year</b>	-	-

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

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

## Consolidated Statement of Cash Flows

	Notes	Year ended	
		30 June 2011	30 June 2010
		\$	\$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments		337,496,738	303,066,419
Purchase of financial instruments		(335,053,881)	(332,108,080)
Amount paid to brokers for futures commission		(65,452)	(13,217)
Dividends and distributions received		1,779,609	3,843,897
Interest received		675,327	831,965
Other Income		5,084	-
Interest paid		(582,673)	(476,517)
GST recovered		-	52,545
Management fee paid		(288,193)	(1,170,259)
Payment of other expenses		(215,024)	(150,411)
<b>Net cash inflow/(outflow) from operating activities</b>	14(a)	<u>3,751,535</u>	<u>(26,123,658)</u>
<b>Cash flows from financing activities</b>			
Payments for buy backs		(13,575,972)	(3,931,333)
Proceeds from applications by unit holders		71,778	1,961,811
Payments for redemptions by unit holders		(1,605,072)	(209,108)
Distributions paid		(1,981,705)	(2,386,429)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(17,090,971)</u>	<u>(4,565,059)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(13,339,436)</u>	<u>(30,688,717)</u>
Cash and cash equivalents at the beginning of the year		<u>19,557,278</u>	<u>50,245,995</u>
<b>Cash and cash equivalents at the end of the year</b>	9	<u>6,217,842</u>	<u>19,557,278</u>
Non-cash financing activities	14(b)	<u>254,904</u>	<u>-</u>

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

## Notes to the consolidated financial statements

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## 1 General information

These financial statements cover Aurora Sandringham Australian Equity Income Trust ("the Trust") and controlled entities. The Trust commenced operations on 14 November 2005, was admitted to the Australian Securities Exchange ("ASX") on 17 November 2005, and is domiciled in Australia.

The responsible entity of the Trust is Aurora Funds Management Limited ("the responsible entity"). The responsible entity's registered office is Level 2, 350 George Street Sydney, NSW 2000. The financial statements are presented in the Australian currency.

It is recommended that these financial statements are considered together with the current product disclosure document and in accordance with the provisions of the governing documents of the Trust, and any public announcements made by the Trust during the year ended 30 June 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX listing rules.

The principal activities of the Trust during the financial year was establishing its investment strategy in equities and derivative securities in accordance with the provision of the Trust Constitution and the Product Disclosure Statement dated 11<sup>th</sup> April 2011.

The financial statements were authorised for issue by the directors on 23 September 2011. The directors of the responsible entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text. The financial statements are for the consolidated entity consisting of Aurora Sandringham Dividend Income Trust and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 in Australia.

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all entities which Aurora Sandringham Dividend Income Trust controlled through the period and at the balance sheet date.

The consolidated financial report is prepared on the basis of fair value measurement of assets and liabilities except where it has been prepared on an accruals basis and is based on historical costs. The functional currency of the Trust is measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Australian dollars and rounded to the nearest dollar, which are the Trust's functional and presentation currency.

The consolidated financial statements have been prepared on the basis of a going concern, as the directors are confident that the Trust can continue to implement its investment strategy.

### Compliance with International Financial Reporting Standards

The financial statements of the Trust also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## 2 Summary of significant accounting policies (continued)

### (b) Principles of consolidation

#### (i) Subsidiary

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aurora Sandringham Dividend Income Trust as at 30 June 2011 and the results of all subsidiaries for the year then ended. Aurora Sandringham Dividend Trust and its subsidiaries together are referred to in this financial report as the Trust or the consolidated entity.

Subsidiaries are all entities over which the Trust has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the parent controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Trust.

#### (ii) Change in ownership interest

A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Aurora Sandringham Dividend Income Trust.

When the Trust ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Trust had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### (c) Financial instruments

#### (i) Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures and options are included under this classification. The Trust does not designate any derivatives as hedges in a hedging relationship.

The Trust makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

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

These are investments in exchange traded equity instruments and equity derivative instruments



## 2 Summary of significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (i) Classification (continued)

The Trust may sell securities short in anticipation of a decline in fair value of that security. When the Trust sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. At the reporting date, the liability for the obligation to replace the borrowed security is valued at the net fair value.

#### (ii) Recognition/derecognition

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

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

#### (iii) Measurement

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

At initial recognition, the Trust measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through Statement of Comprehensive Income are expensed in the Statement of Comprehensive Income.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Trust is the current bid price, and the quoted market price for financial liabilities is the current asking price.

### (d) Net assets attributable to unit holders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the Trust is required to distribute its taxable income. The units can be put back to the Trust 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 Trust.

### (e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in the balance sheet.

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

### (f) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

### (g) Investment income

Interest income on deposits held at call with banks is recognised as the interest accrues daily during each interest period and is payable in arrears on each interest payment date. Interest is accrued at the reporting date from the time of last payment.

## 2 Summary of significant accounting policies (continued)

### (g) Investment income (continued)

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 Trust estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) 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, including transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Trust currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in profit or loss.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

### (h) Expenses

All expenses, including responsible entity's fees and custodian fees, are recognised in profit or loss on an accruals basis.

### (i) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

### (j) Distributions

In accordance with the Trust Constitution, the Trust distributes income adjusted for amounts determined by the responsible entity, to unitholders by cash or reinvestment. The distributions are recognised in profit or loss as finance costs attributable to unitholders.

### (k) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in profit or loss as finance costs.

### (l) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of Comprehensive Income on a net basis within net gains / (losses) on financial instruments held at fair value through profit or loss.

## 2 Summary of significant accounting policies (continued)

### (m) 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 three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Trust will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

### (n) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(g) above. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired where appropriate investigations have been performed. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (o) Payables

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

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the balance sheet when unitholders are presently entitled to the distributable income under the Trust Constitution.

### (p) Applications and redemptions

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

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

The GST incurred on the costs of various services provided to the Trust by third parties such as custodial services and investment management fees have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence investment management fees, custodial fees and other expenses have been recognised in profit or loss 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 balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (r) Use of estimates

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 2 Summary of significant accounting policies (continued)

### (r) Use of estimates (continued)

For the majority of the Trust's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the responsible entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

### (s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

- (i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Trust has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Trust's financial statements as the Trust does not hold any available-for-sale investments.

- (ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Trust will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Trust's financial statements.

- (iii) Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Trust does not expect that any adjustments will be necessary as the result of applying the revised rules.

- (iv) IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

## 2 Summary of significant accounting policies (continued)

### (t) Parent entity financial information

The financial information for the parent entity, Aurora Sandringham Dividend Income Trust, has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of Aurora Sandringham Dividend Income Trust. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

### (u) Segment information

The Trust is organized into one main business segment which operates solely in the business of investment management within Australia. While the Trust operates from Australia only (the geographical segment), the Trust may have asset exposures in different countries and across different industries.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors.

### (v) Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in these financial statements.

## 3 Financial risk management

The Trust's activities expose it to a variety of financial risks: market risk (including price risk), credit risk and liquidity risk.

The Trust's overall risk management program focuses on ensuring compliance with the Trust's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Trust 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 Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of price risks.

### (a) Market risk

#### (i) Price Risk

The Trust is exposed to equity securities and derivative securities price risk. This arises from investments held by the Trust for which prices in the future are uncertain. Investments are classified in the balance sheet 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.

Price risk is the risk that the value of the Trust'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 derivatives.

A sensitivity analysis of 10 per cent has been selected as this is considered reasonable given the current level of market price fluctuation. A 10 per cent increase in market price would increase the market value of the total portfolio at 30 June 2011 by \$2,815,878 (2010 - \$5,865,717). A 10 per cent decrease in market price would decrease the market value of the total portfolio by \$2,815,878 (2010 - \$5,865,717).

The Investment Strategy is predominantly to invest in a portfolio of fully franked dividend paying companies listed on the Australian Securities Exchange (ASX) while employing a risk management overlay to limit the exposure to Australian equities to around 50% of the net assets of the Trust.

### 3 Financial risk management (continued)

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

##### (ii) Foreign exchange risk

The Trust has no direct exposure to foreign exchange risk.

##### (iii) Cash flow and fair value interest rate risk

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 Trust as the Trust does not hold interest rate sensitive financial instruments. The interest rates on deposits at bank and on bank overdrafts are both floating rates referenced to the RBA cash rate.

There are no financial instruments held whose value at the reporting date are sensitive to interest rates, no sensitivity analysis on valuations has been performed. If interest rates had been 1 per cent higher or lower for the entire reporting period, interest earned would be \$5,730 (2010 - \$82,465) higher or lower. A similar analysis on interest expense would have changed interest expense by plus or minus \$5,827 (2010 - \$47,652) for the reporting period.

#### (b) Credit risk

The Trust is exposed to counterparty credit risk on cash and cash equivalents and amounts due from brokers.

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

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

The Trust has a prime brokerage agreement with UBS (credit rating A+), the Trust's prime broker, and some of the Trust's assets will be pledged as collateral (\$15,604,063 as at 30 June 2011) for amounts drawn under the overdraft facility.

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

There were no significant concentrations of credit risk to counterparties at 30 June 2011. No individual investment, other than cash, exceeded ten percent of the net assets attributable to unit holders at 30 June 2011. The Trust only has a material credit risk exposure to the bank that holds the Trust's cash assets at 30 June 2011.

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

Cash at Bank and short term bank deposits	Year ended	
	30 June 2011	30 June 2010
	\$	\$
Rating		
A+	6,165,337	19,459,648
AA	52,505	97,630
<b>Total</b>	<b>6,217,842</b>	<b>19,557,278</b>

### 3 Financial risk management (continued)

#### (b) Credit risk (continued)

##### (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

#### (c) Liquidity risk

Liquidity risk is the risk that the Trust 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 Trust is exposed to cash redemptions of redeemable units. It therefore primarily holds investments that are traded in an active market and can be readily disposed.

The Trust's listed securities are considered readily realisable as they are listed on the Australian Securities Exchange.

The Trust may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Trust may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. No over-the-counter derivative contracts were held at year end.

The Investment Manager has the responsibility to manage the financial liabilities of the Trust which includes settling trade liabilities, upcoming distributions and monthly redemptions.

Compliance with the Trust's policy is reported to the Board on a monthly basis.

In order to manage the Trust's overall liquidity, 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.

Units are redeemed monthly on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

The table below analyses the Trust'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.

At 30 June 2011	Less than 1 month \$	1-6 months \$	6-12 months \$	1-2 years \$	Total \$
<b>Liabilities</b>					
Distributions payable	421,620	-	-	-	421,620
Financial liabilities at fair value through profit or loss	16,368,617	-	-	-	16,368,617
Due to brokers	9,609,164	-	-	-	9,609,164
Payables	126,899	-	-	-	126,899
Net assets attributable to unit holders	24,485,267	-	-	-	24,485,267
<b>Contractual cash flows (excluding gross settled derivatives)</b>	<b>51,011,567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,011,567</b>

### 3 Financial risk management (continued)

#### (c) Liquidity risk(continued)

At 30 June 2010	Less than 1 month \$	1-6 months \$	6-12 months \$	1-2 years \$	Total \$
<b>Liabilities</b>					
Distributions payable	670,367	-	-	-	670,367
Financial liabilities at fair value through profit or loss	4,979,440	-	-	-	4,979,440
Due to brokers	34,452,561	-	-	-	34,452,561
Payables	107,792	-	-	-	107,792
Net assets attributable to unit holders	40,192,891	-	-	-	40,192,891
<b>Contractual cash flows (excluding gross settled derivatives)</b>	<b>80,403,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,403,051</b>

#### d) Fair value estimation

The carrying amounts of the Trust's assets and liabilities at the end of each reporting period approximate their fair values.

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

##### (i) Fair value in an active market

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

The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Trust 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

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such Trusts.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.



### 3 Financial risk management (continued)

#### (e) Fair value hierarchy

##### (i) Classification of financial assets and financial liabilities

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels: Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1), Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2) and Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the responsible entity. The responsible entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

<b>As at 30 June 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Equity securities	44,527,395	-	-	44,527,395
<b>Total</b>	<b>44,527,395</b>	<b>-</b>	<b>-</b>	<b>44,527,395</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Australian exchange traded options	3,142,231	-	-	3,142,231
Australian equity securities	13,226,386	-	-	13,226,386
<b>Total</b>	<b>16,368,617</b>	<b>-</b>	<b>-</b>	<b>16,368,617</b>
<b>As at 30 June 2010</b>				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	999,050	-	-	999,050
Financial assets designated at fair value through profit or loss:				
Equity securities	59,057,079	-	-	59,057,079
<b>Total</b>	<b>60,056,129</b>	<b>-</b>	<b>-</b>	<b>60,056,129</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Australian exchange traded options	4,979,440	-	-	4,979,440
<b>Total</b>	<b>4,979,440</b>	<b>-</b>	<b>-</b>	<b>4,979,440</b>

#### 4 Other operating expenses

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
Finance costs	582,673	476,517
Futures commission	65,452	13,217
Other costs	13,459	933
	<u>661,584</u>	<u>490,667</u>

#### 5 Remuneration of auditors

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

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>Audit and other assurance services</b>		
Audit and review of financial statements	12,310	11,250
Audit of the compliance plan	1,399	4,150
<b>Total remuneration for audit and other assurance services</b>	<u>13,709</u>	<u>15,400</u>
<b>Taxation services</b>		
Tax compliance services	3,400	3,700
<b>Total remuneration for taxation services</b>	<u>3,400</u>	<u>3,700</u>
<b>Total remuneration of PwC</b>	<u>17,109</u>	<u>19,100</u>

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

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	3,427,785	687,324
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	<u>(3,059,442)</u>	<u>(5,159,215)</u>
<b>Total net gain/(loss) on financial instruments held at fair value through profit or loss</b>	<u>368,343</u>	<u>(4,471,891)</u>

## 7 Net assets attributable to unitholders

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

	Year ended			
	30 June 2011 Number	30 June 2010 Number	30 June 2011 \$	30 June 2010 \$
Opening balance	40,735,897	43,030,180	40,192,891	45,639,958
Buy back	(13,693,232)	(3,866,717)	(13,575,972)	(3,931,333)
Applications	72,473	1,810,463	71,778	1,961,811
Redemptions	(1,591,272)	(238,029)	(1,605,072)	(245,285)
Units issued upon reinvestment of distributions	255,789	-	254,904	-
Increase/(decrease) in net assets attributable to unit holders			(853,262)	(3,232,260)
Closing balance	<u>25,779,655</u>	<u>40,735,897</u>	<u>24,485,267</u>	<u>40,192,891</u>

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

### The following rights and benefits are attached to the units on issue:

#### Voting

Voting is by a show of hands, unless a poll is demanded. The Corporations Act governs who can demand a poll and the value of each vote required to pass a resolution. The chair of the meeting has no casting vote.

#### Transfer

The Unit holders may transfer units using any form acceptable to the manager.

#### Distributions

The Trust will distribute all its distributable income each year to unit holders.

#### Distributions Re-investment Plan

The Trust has established a Distribution Re-investment Plan (DRIP) for all distributions. The DRIP enables Unit holders to re-invest all or part of the distributions payable on their Units in additional units.

#### Redemptions

An investor may ask to exit the Trust at any time. When an investor exits the Trust, the investment manager redeems the investor's relevant units. Units can only be redeemed at the exit price. Subject to the Corporations Act and the listing rules if the listing rules apply, while the manager is not obliged to give effect to a redemption request, it may redeem some or all of the units which are the subject of the request.

#### Winding up

After paying or making allowances for all the anticipated liabilities, subject to the rights and obligations attaching to any class, the net proceeds must be distributed pro rata to investors according to the number of units they hold at termination.

## 7 Net assets attributable to unitholders (continued)

### Capital risk management

The Trust 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 Trust is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a daily basis by the responsible entity. Under the terms of the Trust 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.

## 8 Distributions to unit holders

The distributions for the year were as follows:

	Year ended			
	30 June 2011		30 June 2010	
	\$	CPU	\$	CPU
Distributions paid	1,622,598	4.50	1,953,676	4.60
Distribution payable	<u>421,620</u>	<u>1.50</u>	<u>670,367</u>	<u>1.60</u>
Total distributions	<u>2,044,218</u>	<u>6.00</u>	<u>2,624,043</u>	<u>6.20</u>

## 9 Cash & cash equivalents

	As at	
	30 June 2011	30 June 2010
	\$	\$
Cash at bank	2,292,486	13,114,978
AUD Futures margin account	<u>3,925,356</u>	<u>6,442,300</u>
Total	<u>6,217,842</u>	<u>19,557,278</u>

## 10 Financial assets held at fair value through profit and loss

	As at	
	30 June 2011	30 June 2010
	Fair value	Fair value
	\$	\$
<b>Held for trading</b>		
Derivatives (note 12)	-	999,050
Total held for trading	-	999,050
<b>Designated at fair value through profit or loss</b>		
Equity securities	44,527,395	59,057,079
Total designated at fair value through profit or loss	44,527,395	59,057,079
<b>Total financial assets held at fair value through profit or loss</b>	<b>44,527,395</b>	<b>60,056,129</b>
<b>Comprising:</b>		
<b>Derivatives</b>		
Australian share price index futures	-	999,050
Total derivatives	-	999,050
<b>Equity securities</b>		
Australian equity securities	44,527,395	59,057,079
Total Equity securities	44,527,395	59,057,079
<b>Total financial assets held at fair value through profit or loss</b>	<b>44,527,395</b>	<b>60,056,129</b>

## 11 Financial liabilities held at fair value through profit and loss

	As at	
	30 June 2011	30 June 2010
	Fair value	Fair value
	\$	\$
<b>Held for trading</b>		
Derivatives (note 12)	3,142,231	4,979,440
Equity securities	13,226,386	-
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>16,368,617</b>	<b>4,979,440</b>
<b>Comprising:</b>		
<b>Derivatives</b>		
Australian exchange traded options	3,142,231	4,979,440
Total derivatives	3,142,231	4,979,440
<b>Equity securities</b>		
Australian equity securities	13,226,386	-
Total Equity securities	13,226,386	-
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>16,368,617</b>	<b>4,979,440</b>

## 12 Derivative financial instruments

In the normal course the Trust may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Trust's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trust against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trust.

The Trust may hold the following derivative instruments:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organized market. The futures contracts are organized by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organized financial market.

(b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Trust are exchange-traded. The Trust may be exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The Fund's derivative financial instruments at year-end are detailed below:

<b>30 June 2011</b>	<b>Fair Values Contract/Notional</b>	<b>Assets \$</b>	<b>Liabilities \$</b>
<i>Australian exchange traded derivatives</i>			
Australian exchange traded options	3,142,231	-	3,142,231
<b>30 June 2010</b>	<b>Fair Values Contract/Notional</b>	<b>Assets \$</b>	<b>Liabilities \$</b>
<i>Australian exchange traded derivatives</i>			
Australian share price index futures	2,677,670	999,050	
Australian exchange traded options	4,979,440	-	4,979,440

## 13 Related party transactions

### Parent entity

The ultimate parent entity within the Group is Aurora Sandringham Dividend Income Trust, which owns 100% of all the controlled entities.

### Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b). All subsidiaries are incorporated in Australia.

Name of entity	Class of units	Equity holding 2011 %
Aurora Dividend Income Trust	Ordinary	100
Aurora Imputation Trust	Ordinary	100

### Responsible entity

The responsible entity of Aurora Sandringham Australian Equity Income Trust is Aurora Funds Management Limited.

#### a) Key management personnel

##### Directors

The names of persons who were executives or directors of Aurora Funds Management Limited at any time during the financial period were as follows:

Alastair Davidson  
Richard Matthews  
Simon Lindsay  
John Corr (appointed 9 July 2010)  
Steuart Roe (appointed 9 July 2010)  
Oliver Morgan (resigned 9 July 2010)  
Anthony Jones (resigned 9 July 2010)

#### (b) Other key management personnel

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

#### Key management personnel compensation

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

#### Key management personnel loan disclosures

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

#### Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Trust during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

### 13 Related party transactions (continued)

#### Related party unit holdings

There were no direct or indirect interest of the Trust held by the Responsible Entity or its associates or by Directors during the year or prior year.

#### Investments in Funds that are related parties

The Fund held 100% of Aurora Dividend Income Trust at 30 June 2011. Both the Trust and Aurora Dividend Income Trust have the same responsible entity.

#### Responsible entity's/manager's fees and other transactions

For the year ended 30 June 2011, in accordance with the Trust Constitution, the responsible entity received a total fee of 0.3075% (inclusive of GST, net of RITC) per annum of expense recovery, which totalled \$106,031 (2010 - \$135,356) for the year.

For the year ended 30 June 2011, in accordance with the Trust Constitution, the Management fee payable to the investment manager is 1.025% (GST inclusive, net of RITC) per annum of the Trust's Net asset value. This amount is calculated monthly and paid by the Trust at the end of each quarter, amounting to \$338,047 (2010 - \$451,186).

For the year ended 30 June 2011, in accordance with the Trust Constitution, a performance fee is payable to the investment manager based on the Trust's performance. A performance fee of 20.5% (GST Inclusive, net of RITC) per annum is applied to the total excess between the Total Unit Holder Return (TUR) and the benchmark as defined in the Product Disclosure Statement. A performance fee of \$nil is payable for the year (2010 - \$nil).

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are reimbursed in accordance with the Trust Constitution.

The transactions during the year and amounts payable at year end between the Trust and the responsible entity were as follows:

	30 June 2011	30 June 2010
	\$	\$
Management fees for the year paid by the Trust to the responsible entity/ Investment Manager	338,047	451,186



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

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>(a) Reconciliation of profit to net cash inflow/(outflow) from operating activities</b>		
Profit for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	(853,262)	(3,232,260)
Distributions to unit holders	2,044,218	2,624,043
Proceeds from sale of financial instruments held at fair value through profit or loss	337,496,738	312,946,889
Purchase of financial instruments held at fair value through profit or loss	(335,053,881)	(366,774,797)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(368,343)	-
Net change in receivables	523,314	(241,766)
Net change in payables	(37,249)	26,865,822
<b>Net cash inflow/(outflow) from operating activities</b>	<b>3,751,535</b>	<b>(27,812,069)</b>
<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	<u>254,904</u>	<u>-</u>

As described in note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 15 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the balance sheet as at 30 June 2011 or on the results and cash flows of the Trust for the year ended on that date.

## 16 Contingent assets and liabilities

There were no contingent assets and liabilities at 30 June 2011 (2010 – nil).

## 17 Parent entity financial information

### (a) Summary financial information

#### BALANCE SHEET

	As at	
	30 June 2011	30 June 2010
	\$	\$
Current assets	<u>44,566,347</u>	<u>80,403,051</u>
<b>Total assets</b>	<u>44,566,347</u>	<u>80,403,051</u>
Current liabilities	<u>20,081,080</u>	<u>40,210,160</u>
<b>Total liabilities</b>	<u>20,081,080</u>	<u>40,210,160</u>
<b>Net assets attributable to unit holders - liability</b>	<u>24,485,267</u>	<u>40,192,891</u>
<b>Operating profit/(loss)</b>	<u>1,190,956</u>	<u>(608,217)</u>

### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

### (c) Contractual commitments

The parent entity did not have any commitments as at 30 June 2011 or 30 June 2010.

**18 Revision of comparative information and variation from prior period reports**

In the 2010 and prior financial statements, the Trust held treasury units in the Trust. In the current period the directors identified that a gain or loss on the treasury units should not be recognised in profit and loss and the holdings in itself should not be recognised in the balance sheet. This has been corrected in the 2011 Financial Statements by restating each of the effected financial statement line items for the prior period as follows:

	30 June 2010	Increase/ (decrease)	30 June 2010 (Restated)	30 June 2009	Increase/ (decrease)	30 June 2009 (Restated)
	\$	\$	\$	\$	\$	\$
<b>Balance Sheet (extract)</b>						
Financial assets held at fair value through profit and loss	63,636,608	(3,580,479)	60,056,129	8,687,134	(1,892,067)	6,795,067
Net assets attributable to unitholders - Liabilities	43,773,370	(3,580,479)	40,192,891	47,532,025	(1,892,067)	45,639,958

**Statement of Comprehensive Income (extract)**

Net gains/(losses) on financial instruments held at fair value through profit	(4,546,412)	74,521	(4,471,891)
Increase/(decrease) in net assets attributable to unitholders	(3,306,781)	74,521	(3,232,260)

**Statement of cash flows (extract)**

Proceeds from sale of financial instruments	313,622,844	(10,556,425)	303,066,419
Purchase of financial instruments	(344,427,437)	12,319,357	(332,108,080)
Payments for buy backs	-	(3,931,333)	(3,931,333)
Proceeds from applications by unit holders	3,066,111	(1,104,300)	1,961,811
Payments for redemptions by unit holders	(3,481,809)	3,272,701	(209,108)

The impact on the balance sheet at the beginning of the comparative period as presented above is not considered material and accordingly a revised balance at this date has not been included in the Financial Statements.

## Directors' declaration

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes set out on pages 9 to 34 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2011 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Stuart Roe

Director

Sydney, NSW

Date: 23 September 2011



## Independent auditor's report to the members of Aurora Sandringham Dividend Income Trust

### Report on the financial report

We have audited the accompanying financial report of Aurora Sandringham Dividend Income Trust (the Trust), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Aurora Sandringham Dividend Income Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of Aurora Funds Management Limited, the responsible entity of the Trust, 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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Independent auditor's report to the members of  
Aurora Sandringham Dividend Income Trust (continued)

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Aurora Sandringham Dividend Income Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

*Emphasis of matter*

The financial report of Aurora Sandringham Dividend Income Trust for the year ended 30 June 2010 was audited by another auditor who expressed an unmodified opinion on that financial report on 30 June 2010. As part of our audit of the 2011 financial statements, we also audited the adjustments described in Note 18 that were applied to amend the 2010 comparatives. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2010 financial statements of the Trust other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2010 financial statements taken as a whole.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that appears to be 'AJW'.

Andrew J Wilson  
Partner

Sydney  
23 September 2011

## **Corporate Governance Statement**

### **Corporate Structure**

The Aurora Sandringham Dividend Income Trust (the "Trust") is a registered Managed investment scheme under the Corporations Act 2001, and Aurora Funds Management Limited ("Aurora") is the Responsible Entity of the Trust.

A Responsible Entity (the "RE") of a scheme must perform the duties detailed in the Constitution of the Trust and those regulated by the Corporations Act. The duties of the RE include, amongst other things:

- Acting honestly
- Exercising a duty of care and diligence
- Act in the best interest of unit holders
- Treat unit holders equally where they hold the same class
- Treat unit holders fairly where they hold different classes
- Make sure the Trust property is valued at regular intervals
- Ensure that all payments from the Trust are in accordance with the Constitution
- Report any breaches that may have a material adverse impact on the interests of unit holders
- Make sure that information acquired through being the RE is not used to gain advantage for the RE or used to harm the interests of unit holders.

### **The Board**

The Board of Aurora Funds Management Limited is responsible for ensuring that the best corporate governance standards are applied. The names of the directors are set out in the Director's Report above. None of the directors are independent as they all have an equity interest, either directly or indirectly, in the shares of Aurora. These directors each have a number of years of experience in the Trusts management industry, the duties of the RE and in the Trust. The independence obligations of the Board are fulfilled by the Compliance Committee, which is detailed below.

The RE has an established code of conduct which covers Directors and staff, and is available at Aurora's website at [www.aurorafunds.com.au](http://www.aurorafunds.com.au). This code of conduct, together with the Compliance Committee Charter, also covers Aurora's compliance with legal obligations and the interest of other stakeholders.

In addition, the RE operates the Trust as a scheme under the Corporations Act and therefore the RE must comply with the Compliance Plan lodged with ASIC prior to units in the Trust being issued. The Corporate Governance of the Trust is regulated by the Compliance Committee, which must have a majority of independent members. The Compliance Committee operate under a Compliance Committee charter, and is responsible for monitoring the RE's compliance with the Compliance Plan and reporting any breaches to the Board of the RE and ASIC. It is also responsible for reviewing the operations on the RE.

### **The Compliance Committee**

The Compliance Committee for the RE comprises:

- Mr Richard Matthews
- Mr David Lewis (external)
- Mr Mark Hancock (external)

Mr David Lewis is a qualified actuary and has over 39 years experience in financial services, predominantly in administration and consulting to Trust management companies. David serves on the compliance committees of a number of Responsible Entities.

Mr Mark Hancock is a qualified actuary and has over 27 years experience in the securities and funds management industry. Mark has significant applied research experience in Australian Equity markets accumulated from a variety of roles over a period of some 19 years. He was previously an equity portfolio manager with NRMA and MMI Insurance.

The external members of the Compliance Committee are nominated and remunerated by the RE. The committee is convened and serviced by Aurora's COO, Richard Matthews. The Compliance Committee Charter is available at Aurora's website [www.aurorafunds.com.au](http://www.aurorafunds.com.au).

The Chair of the Compliance Committee rotates amongst the three members. Meetings are held quarterly and all members have access

- to the books and records and any other relevant information on the Trust and the RE, including all the staff of the RE
- The auditors of the RE
- The auditors of the Trust and
- The auditor of the Compliance Plan

## Financial Reporting

The auditor of the Compliance Plan must be different from the auditor of the RE and the Trust and both report independently to the Compliance Committee. The CEO and COO provide written sign off to the board and the compliance committee on the veracity of the financial reporting systems and the risk management procedures outlined below.

The RE Board reviews the results of the of the external audit process of the Trust and the Compliance Plan to ensure:

- That the Compliance Plan and Trust auditor are appropriately qualified, and legally eligible to act at all times
- That the terms of their appointment are appropriate and accord with the Corporations Act
- That the auditors have access to all relevant information as required
- That the auditors conduct all enquiries and provide all reports as required by the Corporations Act

The external auditors are invited to attend board and compliance meetings where financial reports and compliance plan audits are discussed.

## Public Disclosure

The Board believes that market sensitive information should be released as quickly as possible and has policies in place to ensure that the Trust meets its disclosure obligations under the ASX Listing Rules.

## Rights of Unit holders

The Constitution of the Trust and the Corporations Act governs the rights of unit holders, including their rights to the income and assets of the Trust. The RE is not required to hold an annual general meeting of unit holders, however a meeting may be called by unit holders with at least 5% of the votes that may be cast on a resolution or by 100 unit holders who are entitled to vote.

The RE runs an extensive website that provides all publically available information to unit holders that ensures compliance with the general principles of "good reporting" and compliance with our statutory obligations, under Corporations Act, ASIC, and ASX regulations.

## Risk Management and Oversight

The RE manages risks in the Trust through the following methods:

- Appointment of an appropriately qualified external asset manager, reviewed quarterly
- Appointment of appropriately qualified service providers, such as registry, administration and custody
- Compliance with all of ASIC's and ASX's policies and guidelines
- Recording and reporting complaints by unit holders

The Compliance Committee meets to review all external service providers on a quarterly basis. The board of the RE reviews the management contracts of external managers and investment advisers, which are publically available contracts. Key terms are disclosed in the current Product Disclosure Statement which is available at [www.aurorafunds.com.au](http://www.aurorafunds.com.au), as well as summarized in this Annual Report.

## Corporate Governance Practices of Aurora and the Trust

The Trust and Aurora have complied with all the Corporate Governance Principles as at 30 June 2011, except where stated below.

Recommendation 8.1: *Process for the performance evaluation of the board and compliance committee members*  
Aurora does not have a formal process to evaluate the performance of board or compliance committee members. All executive directors and staff are required to complete a minimum amount of continuing professional development each year, which is reviewed by the board each year.



### Unit holder Information

The following unit holder information set out below was applicable as at 30 June 2011

Distribution of holdings	Number of unit holders
1 – 1,000	46
1001 – 5,000	200
5001 – 10,000	265
10,001 – 100,000	630
100,001 and over	36
<b>Total</b>	<b>1,177</b>

### Top 20 Unit holders

The names of the largest twenty unit holders in the Trust as at 30 June 2011 are listed below:

Name	Number held	Percentage of total
UBS NOMINEES PTY LTD	2,015,761	7.172
NAVIGATOR AUSTRALIA LTD <NAVIGATOR PERS PLAN SETT A/C>	437,160	1.555
MR BAILEY HUNTER & MRS BEVERLEY HUNTER <B & B HUNTER SUPER FUND>	427,688	1.522
ARBUCKLE SUPER PTY LTD <RC ARBUCKLE SUPER FUND A/C>	336,127	1.196
KALAM ENTERPRISES PTY LTD <BROTT FAMILY A/C>	328,547	1.169
ASSET CUSTODIAN NOMINEES (AUST) PTY LTD	327,841	1.166
NEWSBOYS FOUNDATION	300,000	1.067
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	267,804	0.953
APPWAM PTY LTD	239,976	0.854
THURSTON INVESTMENTS PTY LTD	215,848	0.768
MR JONATHAN TWISTON CRISP & MS KARINA LEE SMITH <THE CRISP S/F A/C>	213,464	0.759
COGENT NOMINEES PTY LIMITED	212,766	0.757
A C MCGRATH HOLDINGS PTY LTD <MCGRATH EXEC SUPERFUND A/C>	203,256	0.723
PETCOL NOMINEES PTY LIMITED <BRADMORT SUPER FUND A/C>	203,256	0.723
NAVIGATOR AUSTRALIA LTD <DPM INVEST SERV SETT A/C>	200,271	0.713
MR MICHAEL KARAGIANIS <THE KARAGIANIS FAMILY A/C>	186,389	0.663
BOND STREET CUSTODIANS LIMITED <SYDNEY – PF0533 A/C>	180,000	0.640
INVIA CUSTODIANS LIMITED <COVE RETIREMENT FUND A/C>	173,600	0.618
BOND STREET CUSTODIANS LIMITED <DMINE – GS0689 A/C>	171,174	0.609
MR KENNETH GEORGE ROGERS & MRS WINSOME LOIS ROGERS	166,176	0.591
<b>Total</b>	<b>6,807,104</b>	<b>24.218</b>

This information is summarised from registry information received by the Responsible Entity.