

Aurora Funds Limited
ABN 39 143 194 165
and Controlled Entities

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2011

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made in respect of Aurora Funds Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements cover the Aurora Funds Limited and its controlled entities, Aurora Funds Management Limited, Fortitude Capital Pty Ltd and Sandringham Capital Pty Ltd.

The Group, and its subsidiaries, registered office is:

Level 2,350 George Street
Sydney, NSW 2000

Directors' report

The Directors present their report on Aurora Funds Limited and Controlled Entities ("Group"), for the period ended 31 December 2011.

Principal activities

The Group acts as a listed holding company for the businesses detailed below. The Group acts as a fund manager and issuer of retail and wholesale funds in the Australian market.

Review of operations

During the period the Group, through its subsidiaries, continued to develop its distribution channels, for its ASX listed and unlisted managed investment schemes, and sought additional wholesale investment management mandates.

The combination of Aurora Funds Management Limited, Sandringham Capital Pty Limited and Fortitude Capital Pty Limited under the listed parent entity, continues to assist the Group in strengthening its position to increase research, product development, and marketing and distribution resources to facilitate increased funds under management, and satisfy ASIC regulatory capital requirements.

Results

The Group incurred an operating loss of \$613,309 for the period ended 31 December 2011. The Group has not declared any dividends for the period ended 31 December 2011. The Directors do not recommend the payment of a dividend.

The operating loss has been increased due to the reduction in performance fees accrued during the period, and an expense of \$250,000 relating to the share based payment of deferred shares issued to John Corr or his associates as part of the acquisition of Fortitude Capital Pty Ltd. The agreement requires the Company to issue 750,000 ordinary shares at the price of \$2.00 on 5 May 2013, if Mr. Corr has not breached his employment contract with the Group by that date. There are no other performance criteria attached to the issue of these shares.

Significant changes in State of Affairs

There were no significant changes in the state of affairs of the Group and its controlled entities in the period to the date of this report, other than noted above.

Directors

The following persons were directors of the company during the whole of the period and up to the date of this report:

John Corr

Alastair Davidson

Simon Lindsay

Richard Matthews

Steuart Roe

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 4.

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

A handwritten signature in black ink that reads "Stuart Roe". The signature is written in a cursive style with a large, stylized 'S' at the beginning.

Steuart Roe

Director

Date : 24 February 2012



Auditor's Independence Declaration

As lead auditor for the review of Aurora Funds Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to be "AJ Wilson", with a long horizontal stroke extending to the right.

AJ Wilson
Partner

Sydney
24 February 2012

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Consolidated Statement of Comprehensive Income

	Note	Half-year to 31 December 2011 \$	Half-year to 31 December 2010 \$
Revenue			
Management Fee income		1,485,662	1,510,549
Responsible entity fees		76,262	105,411
Interest income		64,016	58,774
Other Income		-	84,922
Total investment income		1,625,940	1,759,656
Expenses			
Occupancy expenses		64,343	86,575
Personnel expenses		1,195,364	1,080,206
Fund expenses		444,950	720,148
Share based payment	8	250,000	250,000
Other expenses		230,975	276,706
Finance costs		53,617	64,295
Total operating expenses		2,239,249	2,477,930
Net operating loss before income tax		(613,309)	(718,274)
Income tax expense		-	-
Net loss after tax from continuing operations		(613,309)	(718,274)
Basic earnings per share (cents)		(6.86)	(8.16)
Diluted earnings per share (cents)		(6.86)	(8.10)

This Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to these financial statements set out below.

Consolidated Statement of Financial Position

	Note	As at 31 December 2011 \$	As at 30 June 2011 \$
CURRENT ASSETS			
Cash & cash equivalents		2,597,497	3,091,337
Trade and other receivables		593,660	605,394
Financial assets at fair value through profit or loss		-	4,965
Other		148,797	168,859
Total current assets		3,339,954	3,870,555
NON-CURRENT ASSETS			
Deferred tax assets		316,641	316,641
Plant and Equipment		71,913	83,173
Goodwill and intangibles	3	3,965,791	3,965,791
		4,354,345	4,365,605
Total assets		7,694,299	8,236,160
CURRENT LIABILITIES			
Trade and other payables		850,604	1,028,869
Short-term borrowings		26,514	26,801
Total current liabilities		877,118	1,055,670
NON CURRENT LIABILITIES			
Deferred tax liability		36,484	36,484
Sub-ordinated debt		1,000,000	1,000,000
Total non-current liabilities		1,036,484	1,036,484
Total liabilities		1,913,602	2,092,154
NET ASSETS		5,780,697	6,144,006
EQUITY			
Share Capital	6	10,907,304	10,907,304
Share based payment reserve		750,000	500,000
Accumulated losses		(5,876,607)	(5,263,298)
		5,780,697	6,144,006

This Consolidated Statement of Financial Position is to be read in conjunction with the Notes to these financial statements set out below

Consolidated Statement of Changes in Equity

	Share Capital	Accumulated Losses	Share based payment Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2010	1,175,005	(874,109)		300,896
Comprehensive Income for period		(718,274)		(718,274)
Shares issued	10,188,264			10,188,234
Shares to be issued			250,000	250,000
Capital raising costs	(374,094)			(374,094)
Balance at 31 December 2010	10,989,175	(1,592,383)	250,000	9,646,792
Balance at 1 July 2011	10,907,304	(5,263,298)	500,000	6,144,006
Comprehensive Income for period		(613,309)		(613,309)
Shares issued				
Shares to be issued			250,000	250,000
Capital raising costs				
Balance at 31 December 2011	10,907,304	(5,876,607)	750,000	5,780,697

This Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to these financial statements set out below.

Consolidated Statement of Cash flows

	31 December 2011 \$	31 December 2010 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	1,697,768	1,816,568
Payments to suppliers and employees	(2,239,152)	(2,316,678)
Interest received	98,984	58,774
Interest paid	(53,905)	(37,425)
<i>Net cash inflow from operating activities</i>	(496,305)	(478,761)
<i>Cash flows from investing activities</i>		
Payment for plant and equipment	(2,295)	(25,965)
Proceed from sales of available-for-sale financial assets	4,760	759,629
Acquisition of investments	-	(5,000)
Cash payment for acquisitions, net of cash acquired	-	(2,433,261)
<i>Net cash (outflow) from investing activities</i>	2,465	(1,704,597)
<i>Cash flows from financing activities</i>		
Proceeds from debt issue	-	-
Receipt of loan proceeds	-	509,517
Repayment of sub-ordinated debt	-	(250,000)
Issue of equity	-	4,162,467
Capital raising costs paid	-	(374,094)
<i>Net cash inflow/(outflow) from financing activities</i>	-	4,047,890
<i>Net increase/(decrease) in cash and cash equivalents</i>	(493,840)	1,864,532
Cash and cash equivalents at beginning of the period	3,091,337	1,264,345
<i>Cash and cash equivalents at the end of the period</i>	2,597,497	3,128,877

This Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the financial statements set out below.

1 Introduction

It is recommended that this period end report be considered together with any public announcements made by the Group during the period ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Reporting period

The interim report covers financial period from 1 July 2011 to 31 December 2011. The comparatives cover the period from 1 July 2010 to 31 December 2010.

Registered Office

The registered office of the Group is at:
Level 2
350 George St,
Sydney, NSW 2000

The financial statements were authorised for issue by the directors on 24 February 2012. The directors of the company have the power to amend and reissue the financial statements.

2 Basis of Preparation

This interim financial report for the period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. It is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all entities which Aurora Funds Limited controlled through the period and at the balance date.

(i) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, certain classes of property and plant and equipment.

(ii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

3 Goodwill and Intangibles

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

(ii) Management contracts

Management contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which varies depending on the length of the contract. Open ended contracts are deemed to have an indefinite useful life and are not subject to amortisation. Instead, these are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Value-in-use calculations are based on the present value of cash flows over five years plus assigning a terminal value of cashflow.

4 Segment information

The Group is organised into one main business segment which operates solely in the business of investment management within Australia.

5 Contributed Equity

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

6 Contingent assets and liabilities

There were no contingent assets and liabilities at 31 December 2011.

7 Share based payment

The Group has agreed to issue an additional 750,000 shares to John Corr, on the third anniversary of the acquisition date of Fortitude Capital Pty Ltd, subject to John Corr not resigning before that date. The cost of these shares will be expensed each year on a straight line basis.

8 Events occurring after the balance sheet date

In the period from 31 December 2011 and the date of this report, there have been no items, transactions or events of a material and/or unusual nature.

Directors' declaration

In the opinion of the directors of the Group:

- (a) the financial statements and notes set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including that they
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Group's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Steuart Roe

Director

24 February 2012



Independent auditor's review report to the members of Aurora Funds Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aurora Funds Limited (the 'Company'), which comprises the consolidated balance sheet as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Aurora Funds Limited (the consolidated entity). The consolidated entity comprises both the Company and the entities it controlled during that half year.

Directors' responsibility for the half-year financial report

The directors of Aurora Funds Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aurora Funds Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aurora Funds Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'AJ Wilson'.

AJ Wilson
Partner

Sydney
24 February 2012