Aurora Absolute Return Fund

ARSN 110 303 430

Annual Report
For the year ended 30 June 2021

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Aurora Absolute Return Fund
Directors' report
30 June 2021

The directors of Aurora Funds Management Limited ("AFML") (ABN 69 092 626 885), in its capacity as the responsible entity of the Aurora Absolute Return Fund (“the Fund”), present their annual report together with the financial statements of the Fund for the year ended 30 June 2021.

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

The Fund did not have any employees during the year.

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

As detailed on the Fund's website, and in its Appendix 4D lodged on the ASX on 26 February 2021, ABW was removed from the ASX on 1 March 2021.

Pursuant to the NSW Supreme Court (in May 2019) and the NSW Court of Appeal (in September 2020) having found that Primary Securities Limited is not and never has been the responsible entity of ABW, with AFML having been awarded costs in both proceedings, AFML is actively pursuing the recovery of these costs

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

John Patton
Victor Siciliano
Anthony Hartnell AM

Units on issue

	2021	2020
At 30 June	8,134,136	8,134,136

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

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is considerable uncertainty regarding the breadth and duration of the business disruptions related to COVID-19. COVID-19 continued to have an impact on both the Australian and International markets during FY2021.

The Fund continues to monitor the performance of the Master Fund’s investments closely, and in-particular the loans receivable by AFARF from RNY Australia Operating Company LLC ("RAOC") and AFARF's investment in RNY Property Trust ("RNY").

Financial results for the year

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

	2021 $	2020 $
Operating profit/(loss) before finance costs attributable to unitholders	(200,665)	(237,951)
Distributions paid and payable	-	-
Distribution (cents per unit) 30 September	-	-
Distribution (cents per unit) 31 December	-	-
Distribution (cents per unit) 31 March	-	-
Distribution (cents per unit) 30 June	-	-

Financial position

Net Tangible Assets (NTA) per unit as disclosed on the website of Aurora Funds Management Limited are shown as follows:

	2021 $	2020 $
At 30 June	0.1299	0.1792
High during period	0.1772	0.2228
Low during period	0.1299	0.1792

Based on the audited financial statements of the Fund for the year ended 30 June 2020, the NTA at 30 June 2021 is $0.1369 per unit.

Reconciliation of net assets for unit pricing and financial reporting purposes

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

	2021 $	2020 $
Net assets for unit pricing purposes	1,056,910	1,457,616
Subsequent change in valuation of financial assets held at fair value through profit or loss	56,371	(26,528)
Subsequent recognition of additional legal fees expense	-	(117,142)
Net assets under Australian Accounting Standards	1,113,281	1,313,946

There were no other significant changes in the state of affairs of the company during the financial year.

Information on Underlying Performance

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

Strategy and Future Outlook

The Fund invests in the Master Fund. On 9 December 2019, AFML announced that it had determined to separate ABW from the Master Fund and issued a redemption notice to redeem the full value of ABW's investment in AFARF. As at the date of this report, the redemption notice remains unfulfilled and the Fund continues to invest solely in the Master Fund. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Fund provides regular updates, including monthly NTA announcements, which can be found on AFML’s website.

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

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

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

Significant changes in state of affairs

For the year ended 30 June 2021, AFARF has adopted significant judgements and estimates to fair value the following investments:

Molopo Energy Limited (MPO)

The Master Fund holds an investment in Molopo Energy Limited. For the year ended 30 June 2021, the Master Fund has adopted significant judgements and estimates as to the fair value of this investment. The key sources of estimation uncertainty and fair value measurement in relation to MPO are outlined in Notes 4 and 7.

RNY Property Trust (RNY)

As at 30 June 2021, the combined ownership of the units in RNY by entities for which AFML is the Responsible Entity is 68.23%. The Master Fund held 1.07% of the units in RNY.

Since 2 July 2018, AFML, in its capacity as the Investment Manager of RNY, has been actively working to create value from its investment in RNY, including by working with the US lender of the underlying five (5) US commercial properties held by RNY, working with the property sub-manager to attract new tenants, and working with various stakeholders to improve the properties.

For the year ended 30 June 2021, AFARF has adopted significant judgements and estimates to calculate the fair value of this investment. The key sources of estimation uncertainty and fair value measurement in relation to RNY are outlined in Notes 4 and 7.

In the opinion of the Directors, other than the matters already referred to in this report, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year
RNY Property Trust (RNY)

On 10 August 2021, Huntley Management Limited (ACN 089 240 513, AFSL 229754) (Huntley or Responsible Entity) as the Responsible Entity of RNY, made an offer of New Units to existing Wholesale Unitholders only (“Eligible Wholesale Clients”) on the basis of one (1) new unit for every two (2) units held at the Record Date at an issue price of 1.1 cents per unit to raise up to $1.95 million (“Wholesale Placement”). The Wholesale Placement was fully underwritten by AFML and resulted in the issue of 177,161,490 New Units in RNY..

On 8 October 2021, AFML, in its capacity as the Investment Manager of RNY, appointed Jones Lang LaSalle Americas, Inc. ("JLL") to market for sale RNY’s three Long Island Properties, namely 55 Charles Lindberg Boulevard, 6800 Jericho Turnpike and 6900 Jericho Turnpike (“Long Island Properties”). In addition, Aurora negotiated a 6 month extension on the Amended and Restated Senior Loan Agreement ("Loan Agreement") with its US lender, ACORE Capital, to accommodate the proposed sale process.

Primary Proceedings

Based on legal advice received, a costs assessor was engaged to determine the costs to be recovered from Primary Securities Limited, pursuant to the Cost Orders awarded in the NSW Supreme Court and the NSW Court of Appeal. Based on the assessor’s determination, the Fund is seeking to recover $376,545.55 from Primary. To date, no amounts have been received from Primary.

Other than the changes mentioned above, no other matters or circumstances have arisen since 30 June 2021 that have significantly affected, or may significantly affect:

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

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

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

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

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

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

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

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

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

Information on directors

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

Name:	**John Patton**
Title:	Managing Director
Qualifications:	Bachelor of Economics, Chartered Accountant, Graduate Diploma in Applied Finance and Investment
Experience and expertise:	John was appointed as Managing Director of Aurora Funds Management Limited on 30 June 2016. John was previously a partner with Ernst & Young in the Transactions Advisory Services division and has over 30 years of professional services and industry experience. John has extensive corporate finance credentials, having been involved in over 250 corporate transactions, including mergers and acquisitions, structuring, debt and equity raising, IPO's, management buy-outs, valuations, due diligence, financial modelling, restructuring and corporate advisory.
Other current directorships:	Metgasco Ltd, Yowie Group Ltd, Molopo Energy Limited
Former directorships (in the last 3 years):	Keybridge Capital Limited (retired 21 January 2020). John Patton currently holds the position of Company Secretary of Keybridge Capital Limited.
Special responsibilities:	Managing Director, Member of Compliance Committee
Interests in units:	None

Name:	**Victor Siciliano**
Title:	Executive Director
Qualifications:	Bachelor of Business (Banking & Finance) and Master of Applied Finance (Investment Management) and is RG146 compliant.
Experience and expertise:	Victor was appointed as Executive Director of Aurora Funds Management Limited on 9 January 2018. Victor has over 10 years' equity market experience, most recently as portfolio manager of the HHY Fund at Keybridge Capital Limited. Prior to this, Victor was employed as an assistant portfolio manager at boutique fund manager Sterling Equity and as an investment advisor at Macquarie Group.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Investment Manager
Interests in units:	Holds 93,535 (30 June 2020: 93,535) units in the Fund.

Name:	**Anthony Hartnell AM**
Title:	Non-Executive Director
Qualifications:	BEc LLB (Hons) (ANU), LLM (Highest Hons) (George Washington University)
Experience and expertise:	Anthony was appointed as Non-Executive Director of Aurora Funds Management Limited on 2 March 2018. Anthony has over 50 years of legal experience with expertise in Corporate and Commercial Law, particularly, regulatory issues, corporate financing, takeovers, trade practices and collective investments, with more recent emphasis on investigations and enforcement actions.
Other current directorships:	Molopo Energy Limited, Allegra Orthopaedics Limited.
Former directorships (in the last 3 years):	Parnell Pharmaceuticals Holdings Ltd. (resigned 4 March 2021)
Special responsibilities:	Member of Compliance Committee, Chairman
Interests in units:	None

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

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

Board and Committee Meetings

Director	Full Board		Compliance Committee	
	Held	Attended	Held	Attended
John Patton	10	10	4	4
Victor Siciliano	10	10	-	-
Anthony Hartnell AM	10	10	4	4

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

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

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

Auditor's independence declaration

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

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

On behalf of the directors

John Patton
Managing Director
29 October 2021
Melbourne

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Auditor's Independence Declaration

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Aurora Absolute Return Fund for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 29 October 2021

Financial Statement

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 $	2020 $
Investment income			
Interest income		-	1
Net gains/(losses) on financial instruments held at fair value through profit or loss		(23,875)	126,006
Total net investment income/(loss)		(23,875)	126,007
Expenses			
Recoverable costs of Responsible Entity		67,773	67,773
Interest Expense		28,777	-
Other operating expenses	12	76,832	93,528
Legal fees		3,408	202,657
Total operating expenses		176,790	363,958
Operating profit/(loss) for the year		(200,665)	(237,951)
Finance costs attributable to unitholders			
Distributions to unitholders	11	-	-
Decrease in net assets attributable to unitholders	10	200,665	237,951
Profit/(loss) for the year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-
Earnings/(loss) per unit (basic/diluted)		(0.025)	(0.029)

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

Financial Statement

Statement of financial position
As at 30 June 2021

	Note	2021 $	2020 $
Assets			
Cash and cash equivalents	8	161	126
Receivables		1,782	11,154
Financial assets held at fair value through profit or loss	9	1,725,613	1,749,487
Total assets		1,727,556	1,760,767
Liabilities			
Distributions payable	11	-	-
Redemption payable		2,982	2,982
Other payables		611,293	443,839
Total liabilities (excluding net assets attributable to unitholders)		614,275	446,821
Net assets attributable to unitholders – liability	10	1,113,281	1,313,946
Liabilities attributable to unitholders		(1,113,281)	(1,313,946)
Net assets		-	-

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

Financial Statement

Statement of changes in equity
For the year ended 30 June 2021

	Note	2021 $	2020 $
Balance at the beginning of the financial year		-	-
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-
Transactions with unitholders in their capacity as unitholders		-	-
Total equity at the end of the financial year		-	-

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

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

Statement of cash flows
For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		-	506,577
Dividends and distributions received		-	39,156
Interest received		-	1
GST (paid)/recovered		9,371	(9,182)
Legal and professional fees paid		(8,712)	(232,970)
Payments of other expenses		(624)	(270,070)
Net cash inflow/(outflow) from operating activities	15(a)	35	33,512
Cash flows from financing activities			
Proceeds from applications by unitholders		-	-
Payments for redemptions by unitholders		-	-
Distributions paid to unitholders		-	(33,501)
Net cash (outflow)/inflow from financing activities		-	(33,501)
Net increase/(decrease) in cash and cash equivalents		35	11
Cash and cash equivalents at the beginning of the year		126	115
Cash and cash equivalents at the end of the year	8	161	126
Non-cash financing activities	15(b)	-	947

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

Note 1. General information

These financial statements cover Aurora Absolute Return Fund (the "Fund") as an individual entity. The Fund commenced operations on 4 July 2006 and was admitted to the Australian Securities Exchange ("ASX") on 10 July 2006, and is domiciled in Australia. As outlined in its Appendix 4D lodged on the ASX on 26 February 2021, ABW was removed from the ASX on 1 March 2021.

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

It is recommended that these financial statements are considered together with any public announcements and in accordance with the provisions of the governing documents of the Fund, and any public announcements made by the Fund during the year ended 30 June 2021 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

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

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

Note 2. Adoption of new and revised Accounting Standards

(i) New, revised or amending Accounting Standards and Interpretations adopted

The Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There were no new, revised or amending Accounting Standards and Interpretations that were applicable and had a material impact.

The Fund has adopted AASB 16 Leases, however the impact is not material as the Fund has not entered into any leases as lessee which expire more than twelve months after 30 June 2021.

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

Note 3. Significant accounting policies

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

Basis of preparation

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

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

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

Note 3. Significant accounting policies (continued)

Critical accounting estimates

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

Receivables

Loan receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less expected credit losses (ECLs) if any. AASB 9's impairment requirements use more forward looking information to recognize ECLs – the 'expected credit losses model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, and trade receivables.

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Other receivables may include amounts for dividends, interest, trust distributions and securities sold where settlement has not yet occurred. 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. Amounts are generally due for settlement within 30 days of being recorded as receivables. For other receivables, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

Due from/to brokers

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets - initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at either amortised cost or at fair value through profit or loss.

Note 3. Significant accounting policies (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and business model. With the exception of trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(ii) Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments). The Fund has no financial assets at amortised cost at 30 June 2021.
- Financial assets at fair value through profit or loss. The Fund's financial assets at fair value through profit or loss consists of unlisted equity investments.

Payables

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

Investment income

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

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

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

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

Expenses

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

Note 3. Significant accounting policies (continued)

Goods and Services Tax ('GST')

The GST incurred on the costs of various services provided to the Fund by third parties, have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITCs) at a rate of 55% or 75%; hence management fees and other expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the statement of cash flows on a net basis.

Income tax

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

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

Going concern

The financial report has been prepared on a going concern basis because the Fund expects to be able to pay its debts as and when they fall due in the ordinary course of business for the next twelve months. The aggregate amount owed by the Fund to AFML as at 30 June 2021, largely as a result of the legal costs incurred in relation to the Court case and Appeal by Primary Securities Limited, as well as for management and responsible entity fees, was $611,293 at the end of the reporting period.

Pursuant to the Costs orders awarded to AFML by the Supreme Court of NSW (in May 2019) and the NSW Court of Appeal (in September 2020), AFML is vigorously pursuing the recovery of its legal costs from Primary Securities Limited. In the meantime, AFML has agreed to convert a portion of the balance owed to it to equity and to defer the cash payment of the balance owed to it until the Fund is in a position to pay these costs.

Note 4. Critical accounting judgements, estimates and assumptions

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

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

Certain financial instruments, for example, unquoted securities, are fair valued using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the team that created them. For more information on how fair value is calculated please see Note 7 to the financial statements.

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

AFML is continuing to provide short term support to the Fund whilst the Fund awaits payment from Primary Securities Limited which is being vigorously pursued.

Key sources of estimation uncertainty

1. Molopo Energy Limited (MPO)

As at 30 June 2021, the Master Fund holds an investment in the ordinary shares of MPO. MPO was suspended from trading on the Australian Stock Exchange on 27 July 2017, and was later removed from the ASX, on 1 April 2021..

As previously advised, the Directors consider that the actions of the former Molopo directors have substantially and adversely affected the value of Molopo's assets. As such, after considering the carrying value of the Trust's investment in Molopo during the year, the Directors decided to write the value of its investment down from 0.4 cents per share to nil. The rationale for this decision is briefly summarised below:

Based on the last Quarterly Cashflow Report issued by MPO prior to it being removed from the ASX, for the Quarter ended 31 December 2020, MPO had the following attributes:

- cash reserves of $8.368 million; less
- litigation provision of A$8.571 million, being the Australian dollar equivalent of $8.4 million Canadian dollars as at 31 December 2020. In the Molopo financial statements for the year ended 31 December 2018 this provision was removed as a liability in the balance sheet and disclosed as a contingent liability. It is still disclosed as a contingent liability in Molopo's financial statements for the year ended 31 December 2020. For the purpose of this valuation, AFML has no reason to believe that this is not a reasonable estimate of the expected liability;
- divided by 249,040,648 ordinary shares on issue;
- equates to a **negative value per share**

As Molopo further advises its shareholders on any financial developments, including its Drawbridge investment, the outcome of its claim against the Former MPO Directors and the Canadian litigation, it may be appropriate for the Trust to revisit the carrying value of its investment.

In its Quarterly Activities Report at 30 June 2020, Molopo advised that the legal proceedings which were brought by the Company in the Supreme Court of Victoria against the former Molopo directors are proceeding.

The fair value of the Master Fund's investment in Molopo is based on significant estimates and judgements adopted by management of the Responsible Entity based on all available information about Molopo as at the date of the 30 June 2021 financial report.

2. RNY Property Trust (RNY)

The Master Fund has loans outstanding to RNY Australia Operating Company LLC ("US LLC"). The Directors consider the loans to RAOC to be fully recoverable.

The Directors have determined to carry the Trust's investment in RNY Property Trust ("RNY") at $0.011 (being 1.1 cents) per unit at 30 June 2021. In reaching this position, the Directors considered the following factors:

- RNY was removed from the Official List on 26 February 2021.
- On 29 June 2020, Keybridge Capital Limited ("Keybridge") announced its intention to make an off-market all scrip takeover bid for RNY at an implied offer price of $0.011 per RNY unit ("Keybridge Offer"), with its Bidder's Statement being dispatched on 28 August 2020. The Keybridge Offer closed at 7:00pm on 13 August 2021, with Keybridge having acquired 27.7% of the ordinary units in RNY at that time.

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

Having regard to the above factors, and as consequence of the acceptances into the Keybridge Offer, the implied offer price of $0.011 per RNY unit is now the most readily observable price for RNY securities. Therefore, the Directors have determined a fair value of $0.011 per unit in RNY.

3. Recovery of legal costs from Primary Securities Limited

An Order has been issued by the Supreme Court of New South Wales and the NSW Court of Appeal requiring Primary Securities Limited ("Primary") to pay the legal costs that AFML incurred in declaring the purported meeting of members of the Fund, and all resolutions passed at the purported meeting, held by Primary on 15 January 2019 to be invalid. The costs to be reimbursed by Primary to AFML have not yet been paid. The amount of unrecovered legal costs incurred by AFML to date is $539,307.09. AFML is vigorously pursuing the collection of these costs from Primary. Any future recoveries from Primary will be booked to income when they are received. Given the uncertainty surrounding the receipt of these costs, a receivable has not been included on the Statement of Financial Position of the Fund at 30 June 2021, however a contingent asset has been recognised as AFML expects to recoup these costs.

Note 5. Operating segments

Identification of reportable operating segments

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

Operating segment information

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

Accounting policy for operating segments

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

Note 6. Financial Instruments

Capital risk management

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

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

Financial risk management

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

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

Note 6. Financial Instruments (continued)

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

(a) Market risk

(i) Price risk

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

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

A sensitivity analysis was performed showing how the effect of a 10% increase and a 10% decrease in market prices would have increased/decreased the impact on operation profit/net assets attributable to unitholders as at 30 June 2021. The results of this analysis are disclosed in Note 6(b).

(ii) Foreign exchange risk

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

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

(iii) Interest rate risk

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

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

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

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

A sensitivity analysis was performed showing how the effect of a 100 basis point increase and a 100 basis point decrease in interest rates on cash and cash equivalents would have increased/decreased the impact on operating profit/net assets attributable to unitholders as at 30 June 2020. The results of this analysis are disclosed in Note 6(b).

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

Note 6. Financial Instruments (continued)

30 June 2021	Floating interest rate	Fixed interest rate	Non interest bearing	Total
Financial assets	AUD	AUD	AUD	AUD
Cash and cash equivalents	161	-	-	161
Dividend receivables	-	-	-	-
Receivables	-	-	1,782	1,782
Financial assets held at fair value through profit or loss	-	-	1,725,613	1,725,613
Financial liabilities				
Distribution payable	-	-	-	-
Redemptions payable	-	-	(2,982)	(2,982)
Provision for legal fees	-	-	-	-
Other payables	-	-	(611,293)	(611,293)
Net exposure	161	-	1,113,120	1,113,281

30 June 2020	Floating interest rate	Fixed interest rate	Non interest bearing	Total
Financial assets	AUD	AUD	AUD	AUD
Cash and cash equivalents	126	-	-	126
Dividend receivables	-	-	-	-
Receivables	-	-	11,154	11,154
Financial assets held at fair value through profit or loss	-	-	1,749,487	1,749,487
Financial liabilities				
Distribution payable	-	-	-	-
Redemptions payable			(2,982)	(2,982)
Provision for legal fees			-	-
Other payables	-	-	(443,839)	(443,839)
Net exposure	126	-	1,313,820	1,313,946

(b) Price risk and interest rate risk

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

	Price Risk		Interest Rate Risk	
	Impact on operating profit/net assets attributable to unitholders			
	-10% $	10% $	-100 bps $	+100 bps $
30 June 2021	(172,561)	172,561	(2)	2
30 June 2020	(174,949)	174,949	(1)	1

Note 6. Financial Instruments (continued)

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

(c) Credit risk

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

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

Concentrations of credit risk are minimised primarily by:

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

The Fund has a prime brokerage agreement with Interactive Brokers, the Fund's Prime Broker, and some of the Fund's assets will be pledged as collateral for amounts drawn under the overdraft facility. There was no overdraft position as at 30 June 2021 (2020: nil).

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

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

The Fund has a material credit risk exposure to the banks (National Australia Bank and Interactive Brokers) that hold the Fund's cash assets at 30 June 2021.

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

	2021 $	2020 $
Rating		
A+ (National Australia Bank)	161	-
AA (Westpac)	-	126
Total	161	126

(i) Settlement of securities transactions

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

(ii) Cash and cash equivalents

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

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

Note 6. Financial Instruments (continued)

(iii) Other

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

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

(d) Liquidity risk

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

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

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

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

30 June 2021	Less than 1 month	1-6 months	6-12 months	1-2 years	Total
Liabilities					
Distribution payable	-	-	-	-	-
Redemption payable	2,982	-	-	-	2,982
Provision for legal fees		-			-
Other payables	611,293	-	-	-	611,293
Net assets attributable to unitholders	-	1,113,281	-	-	1,113,281
Contractual cash flows (excluding gross settled derivatives)	614,275	1,113,281	-	-	1,727,556

30 June 2020	Less than 1 month	1-6 months	6-12 months	1-2 years	Total
Liabilities					
Distribution payable	-	-	-	-	-
Redemption payable	2,982	-	-	-	2,982
Provision for legal fees		-			-
Other payables	443,839	-	-	-	443,839
Net assets attributable to unitholders	-	1,313,946	-	-	1,313,946
Contractual cash flows (excluding gross settled derivatives)	446,821	1,313,946	-	-	1,760,767

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Note 7. Fair value measurement

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

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

Fair value hierarchy

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

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

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

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

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

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

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

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

Note 7. Fair value measurement (continued)

30 June 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	1,725,613	-	1,725,613
Total financial assets	-	1,725,613	-	1,725,613

30 June 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	1,749,487	-	1,749,487
Total financial assets	-	1,749,487	-	1,749,487

The Fund's investment in unlisted unit trusts consists entirely of the Fund's investment in the Master Fund. The Fund's investment in the Master Fund is valued at $0.2602 per unit, being the Unit Price of the Master Fund at 30 June 2021.

The Master Fund's investment in Aurora Property Buy-Write Income Trust ("AUP") is valued at $3.3374 per unit, being the Net Asset Value of AUP at 30 June 2021 based on the audited financial statements of AUP. AUP was suspended from trading on the ASX on 2 April 2020, however when this suspension is lifted, the Master Fund’s investment in AUP will be marked to market based on the ASX traded price.

Transfers between levels

There were no transfers between levels during the financial year (2020: Nil).

Valuation techniques for fair value measurements

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

Accounting policy for fair value measurement

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

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

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

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

Note 7. Fair value measurement (continued)

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

Note 8. Cash and cash equivalents

	2021 $	2020 $
Cash at bank	161	126
Total cash and cash equivalents	161	126

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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

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

	2021 $	2020 $
Designated at fair value through profit or loss		
Unlisted unit trusts	1,725,613	1,749,487
Total financial assets held at fair value through profit or loss	1,725,613	1,749,487

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

Note 10. Net assets attributable to unitholders

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

	2021 No.	2020 No.	2021 $	2020 $
Opening balance	8,134,136	8,130,778	1,313,946	1,550,950
Applications	-	-	-	-
Redemptions	-	-	-	-
Buy backs	-	-	-	-
Units issued upon reinvestment of distributions	-	3,358	-	947
Increase/(decrease) in net assets attributable to unitholders	-	-	(200,665)	(237,951)
Closing balance	8,134,136	8,134,136	1,113,281	1,313,946

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

Accounting policy for net assets attributable to unitholders

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

Note 10. Net assets attributable to unitholders (continued)

Off Market

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

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

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

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

Note 11. Distribution to unitholders

The distributions for the year were as follows:

	2021 $	2021 CPU	2020 $	2020 CPU
Distributions paid	-	-	-	-
Distributions payable (30 June quarter)	-	-	-	-
Other distributions payable from previous quarters	-	-	-	-
Total distributions	-	-	-	-

Accounting policy for distribution to unitholders

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

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

Note 12. Other operating expenses

	2021 $	2020 $
Bank fees	-	1
Recovery costs	76,832	93,527
Total other operating expenses	76,832	93,528

Note 13. Remuneration of auditors

During the financial year, the following fees were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor of the Fund. The auditor of the Fund is Grant Thornton Audit Pty Ltd.

	2021 $	2020 $
Audit and other assurance services		
Audit and review of financial statements	21,000	21,000
Audit of compliance plan	4,500	4,500
Total remuneration for audit and other assurance services	25,500	25,500
Taxation services		
Tax compliance services	9,384	9,384
Total remuneration for tax services	9,384	9,384
Total remuneration of auditors	34,884	34,884

Note 14. Related party transactions

Responsible Entity

The Responsible Entity of Aurora Absolute Return Fund is Aurora Funds Management Limited. In the period to 30 June 2021, Aurora Funds Management Limited held units in Aurora Absolute Return Fund, as set out below.

Key management personnel unitholdings

As at 30 June 2021, Victor Siciliano holds 93,535 (2020: 93,535) units in Aurora Absolute Return Fund. Victor Siciliano is Executive Director of Aurora Funds Management Limited.

Key management personnel compensation

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

Related party unitholdings

Aurora Funds Management Limited held 1,068,990 units (30 June 2020: 1,068,990 units) in the Fund, the fair value of which is $146,345 (30 June 2020: $188,035). Distributions of $Nil (30 June 2020: $Nil) were paid/payable by the Fund to Aurora Funds Management Limited.

Other related party information

Aurora Corporate

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

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

Directorships

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

Note 14. Related party transactions (continued)

- Mr Patton was appointed by the Board of Keybridge Capital Limited as a Non-Executive Director on 10 August 2016 and was subsequently appointed to the role of Chairman on 13 October 2016. On 21 January 2020, Mr Patton retired from position as Director and Chairman of Keybridge Capital Limited.
- Mr Patton was appointed to the Board of Metgasco Ltd as a Non-Executive Director on 19 September 2016.
- Mr Patton was appointed to the Board of Yowie Group Ltd as a Non-Executive Director on 5 February 2021.
- Mr Patton was appointed to the Board of Molopo Energy Limited as a Non-Executive Director on 5 July 2021.

Aurora Funds Management Limited ("AFML") was appointed as Investment Manager of RNY Property Trust ("RNY") on 2 July 2018. Mr Victor Siciliano was appointed to the Boards of the following entities:

- Aurora Funds Management Corp. ("AFMC")
- Aurora Asset Management Corp. ("AAMC")
- RNY Australia Operating Company LLC ("RAOC")
- RA 560 White Plains Road LLC ("RA560")
- RA 580 White Plains Road LLC ("RA580")
- RA 55 CLB LLC ("RA55CLB")
- RA 6800 Jericho Turnpike LLC ("RA6800")
- RA 6900 Jericho Turnpike LLC ("RA6900")
- RNY Australia AC Mezz Borrower LLC ("RAAMB")

RNY owns 100% of RNY Australia LPT Corp ("RALPT"), which in turn owns 75% of RAOC, which in turn owns 100% of RAAMB, which in turn owns 100% of each of RA560, RA580, RA55CLB, RA6800 and RA6900. AFMC owns the other 25% of RAOC.

AFML owns 100% of each of AFMC and AAMC.

Investments

The Fund holds 6,631,871 units (30 June 2020: 6,631,871 units) in the Master Fund, the fair value of which is $1,725,613 (30 June 2020: $1,749,487). Distributions of $Nil (30 June 2020: $Nil) were paid/payable by the Master Fund to the Fund.

Responsible Entity's/manager's fees and other transactions

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

	2021 $	2020 $
Recoverable costs of Responsible Entity for the year paid/payable by the Fund to the Responsible Entity	67,773	67,773
Other expenses for the year paid/payable by the Fund to the Responsible Entity	76,832	93,527
Aggregate amount payable to the Responsible Entity for management fees responsible entity fees and Interest at the end of the reporting period	611,293	443,839

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

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

	2021 $	2020 $
(a) Reconciliation of (loss)/profit to net cash inflow from operating activities		
Profit/(loss) for the year	-	-
(Decrease)/increase in net assets attributable to unitholders	(200,665)	(237,951)
Distribution to unitholders	-	-
Proceeds from sale of financial instruments held at fair value through profit or loss	-	506,577
Net (gains)/losses on financial instruments held at fair value through profit or loss	23,875	(126,006)
Net change in receivables	9,372	29,974
Net change in payables	167,453	(139,082)
Net cash inflow/(outflow) from operating activities	35	33,512

	2021 $	2020 $
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	-	947

Note 16. Events after the reporting period

RNY Property Trust (RNY)

On 10 August 2021, Huntley Management Limited (ACN 089 240 513, AFSL 229754) (Huntley or Responsible Entity) as the Responsible Entity of RNY, made an offer of New Units to existing Wholesale Unitholders only ("Eligible Wholesale Clients") on the basis of one (1) new unit for every two (2) units held at the Record Date at an issue price of 1.1 cents per unit to raise up to $1.95 million ("Wholesale Placement"). The Wholesale Placement was fully underwritten by AFML and resulted in the issue of 177,161,490 New Units in RNY.

On 8 October 2021, AFML, in its capacity as the Investment Manager of RNY, appointed Jones Lang LaSalle Americas, Inc. ("JLL") to market for sale RNY's three Long Island Properties, namely 55 Charles Lindberg Boulevard, 6800 Jericho Turnpike and 6900 Jericho Turnpike ("Long Island Properties"). In addition, Aurora negotiated a 6 month extension on the Amended and Restated Senior Loan Agreement ("Loan Agreement") with its US lender, ACORE Capital, to accommodate the proposed sale process.s.

Other than the events mentioned above, no significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

Primary Proceedings

Based on legal advice received, a costs assessor was engaged to determine the costs to be recovered from Primary Securities Limited, pursuant to the Cost Orders awarded in the NSW Supreme Court and the NSW Court of Appeal. Based on the assessor's determination, the Fund is seeking to recover $376,545.55 from Primary. To date, no amounts have been received from Primary.

Note 17. Commitments

There were no commitments for the expenditure as at 30 June 2021 (2020: Nil).

Note 18. Contingent assets and liabilities

The Fund has a contingent asset based on monies which it expects to receive from Primary Securities Limited ("Primary").

An Order has been issued by the Supreme Court of New South Wales and the NSW Court of Appeal requiring Primary to pay the costs that AFML incurred in this matter. Based on legal advice received, a costs assessor was engaged to determine the costs to be recovered from Primary Securities Limited, pursuant to the Cost Orders awarded in the NSW Supreme Court and the NSW Court of Appeal. Based on the assessor’s determination, the Fund is seeking to recover $376,545.55 from Primary. Any future recoveries from Primary will be booked to income when they are received.

Director's Declaration

The Directors of the Responsible Entity declare that:

(a) In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;

(b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the financial statements;

(c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund; and

(d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001.*

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

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

John Patton
Managing Director
29 October 2021

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Independent Auditor's Report

To the Unitholders of Aurora Absolute Return Fund

Report on the audit of the financial report

Opinion

We have audited the financial report of Aurora Absolute Return Fund (the Fund), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

The Directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 29 October 2021