

# **Aurora Fortitude Absolute Return Fund**

**ARSN 145 894 800**

## **Annual Report**

**For the year ended 30 June 2021**

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**Aurora Fortitude 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 Fortitude 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 accordance with the provisions of the Fund Constitution the current Product Disclosure Statement ("PDS") and Fund updates. On 16 March 2020, the Fund expanded its investment mandate to allow investments in listed and unlisted loan and debt instruments including, but not limited to, senior, unsecured, convertible and mezzanine loans. The Fund primarily invests in Australian listed equities, exchange traded derivatives and unlisted debt instruments.

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.

**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:		
A-Class Units	16,938,519	16,938,519
B-Class Units	5,733,925	5,733,925

**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 investments closely, and in-particular the loans receivable from RNY Australia Operating Company LLC ("RAOC") and the 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:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Operating profit/(loss) before finance costs attributable to unitholders	(22,382)	378,698
Distributions paid and payable to A-Class Unitholders	-	-
Distributions paid and payable to B-Class Unitholders	-	-
Distribution (cents per unit) 30 September	-	-
Distribution (cents per unit) 31 December	-	-
Distribution (cents per unit) 31 March	-	-
Distribution (cents per unit) 30 June	-	-

## 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:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Net assets for unit pricing purposes - Class A unitholders	4,263,520	4,535,291
Subsequent change in valuation of financial assets held at fair value through profit or loss	144,149	(67,081)
Other adjustments	-	(718)
Net assets attributable to Class B unitholder	843,084	805,643
Net assets under Australian Accounting Standards	5,250,753	5,273,135

## 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.

## Strategy and Future Outlook

The Fund is predominantly invested in listed equities, with a focus on Australian equity securities. This is expected to continue. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations.

The Fund 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 a number of factors, including the performance of investment markets in which the 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.

**Aurora Fortitude Absolute Return Fund**  
**Directors' report**  
**30 June 2021**

**Significant changes in state of affairs**

**Molopo Energy Limited (MPO)**

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

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 units in the Fund held by the Responsible Entity or its associates at the end of the financial year are disclosed in Note 16 to the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 12 of the financial statements.

The values of the Fund's assets and liabilities are disclosed on the Statement of Financial Position and derived using the basis set out in Note 8 to Note 11 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:	<b>John Patton</b>
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:	John Patton is a Director of Wairoa Nominees Pty Ltd. Wairoa Nominees Pty Ltd as trustee for Patton Family Trust holds 937,031.79 (2020: 937,031.79) units in the Fund.

Name:	<b>Victor Siciliano</b>
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:	Victor Siciliano as trustee for the VS Family Trust holds 306,279.01 (2020: 306,279.01) units in the Fund.

## Aurora Fortitude Absolute Return Fund

### Directors' report

30 June 2021

Name:	<b>Anthony Hartnell AM</b>
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 and Parnell Pharmaceuticals Holdings Ltd.
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 16 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.

**Aurora Fortitude Absolute Return Fund**  
**Directors' report**  
**30 June 2021**

***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

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

John Patton  
Managing Director  
29 October 2021  
Melbourne



## Auditor's Independence Declaration

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Aurora Fortitude 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 \$
<b>Investment income</b>			
Interest income		312,089	306,249
Dividend and distribution income		659	3,111
Net gains/(losses) on foreign exchange		(29,145)	6,865
Net gains/(losses) on financial instruments held at fair value through profit or loss		(55,457)	369,818
Other operating income		109	-
<b>Total net investment income/(loss)</b>		<b>228,255</b>	<b>686,043</b>
<b>Expenses</b>			
Management Fees	16	44,791	39,506
Recoverable costs of Responsible Entity	16	125,119	125,119
Recovery expenses	16	70,393	83,659
Administration costs		211	287
Other operating expenses	14	376	408
Legal costs		8,872	42,028
Interest expense		875	16,338
<b>Total operating expenses</b>		<b>250,637</b>	<b>307,345</b>
<b>Operating profit/(loss) for the year</b>		<b>(22,382)</b>	<b>378,698</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	13	-	-
(Increase)/decrease in net assets attributable to unitholders	12	22,382	(378,698)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

*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 \$
<b>Assets</b>			
Cash and cash equivalents	9	156,633	178
Loans receivable	10	2,869,096	2,949,549
Interest receivable		571,575	522,097
Loan establishment fee receivable		166,279	166,279
Other receivables		9,100	12,830
Financial assets held at fair value through profit or loss	11	1,557,198	1,738,321
<b>Total assets</b>		<b>5,329,881</b>	<b>5,389,254</b>
<b>Liabilities</b>			
Distributions payable	13	-	-
Other payables		79,128	116,119
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>79,128</b>	<b>116,119</b>
<b>Net assets attributable to unitholders – liability</b>	12	<b>5,250,753</b>	<b>5,273,135</b>
<b>Liabilities attributable to unitholders</b>		<b>(5,250,753)</b>	<b>(5,273,135)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>

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

# Financial Statement

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

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

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

# Financial Statement

## Statement of cash flows For the year ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		236,264	2,012,279
Payments for purchases of financial instruments held at fair value through profit or loss		(135,246)	(138,200)
Loans advanced		-	(909,723)
Transaction costs on sale and purchase of financial instruments		-	(219)
Loans Repaid		120,000	-
Realised Foreign Exchange Gains		24,651	-
Dividends and distributions received		659	20,763
Interest received		193,041	58,212
Interest paid			(16,338)
Management fees, recoverable costs of the Responsible Entity and recovery costs paid		(243,920)	(193,232)
GST received/(paid)		3,730	(2,054)
Other operating expenses paid		(42,724)	(34,111)
<b>Net cash inflow/(outflow) from operating activities</b>	17(a)	156,455	797,377
<b>Cash flows from financing activities</b>			
Payments for redemptions by unitholders		-	(750,151)
Distributions paid		-	(51,684)
<b>Net cash (outflow)/inflow from financing activities</b>		-	(801,835)
<b>Net (decrease)/increase in cash and cash equivalents</b>		156,455	(4,458)
Cash and cash equivalents at the beginning of the year		178	4,636
<b>Cash and cash equivalents at the end of the year</b>	9	156,633	178
<b>Non-cash financing activities</b>	17(b)	-	3,277

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

**Aurora Fortitude Absolute Return Fund**  
**Notes to the financial statements**  
**30 June 2021**

**Note 1. General information**

These financial statements cover Aurora Fortitude Absolute Return Fund (the "Fund") as an individual entity. The Fund commenced operations on 30 April 2006, and is domiciled in Australia.

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

It is recommended that these financial statements are considered together with the current PDS 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 and Fund updates.

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

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

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

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

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.

***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.

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

***Receivables***

The Fund recognizes an allowance for Expected Credit Losses (ECLs) for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loan receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest 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's financial assets at amortised cost consists of trade receivables and loans to RNY Australia Operating Company LLC and the B-Class unitholder.
- Financial assets at fair value through profit or loss. The Fund's financial assets at fair value through profit or loss consists of listed equity investments and contracts for difference.

**Payables**

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

**Investment income**

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

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

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 gross 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.

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

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

**Key sources of estimation uncertainty**

**1. Molopo Energy Limited (MPO)**

As at 30 June 2021, the 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:

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

- 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 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 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.

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.

The Fund has loans receivable from RNY Australia Operating Company ("RAOC") of \$2,090,679 (June 2020: \$2,119,825) at 30 June 2021 (. RNY Property Trust ("RNY") owns 100% of RNY Australia LPT Corp, which in turn owns 75% of RAOC). The Directors consider the loans owing by RAOC to the Fund at 30 June 2021 to be fully recoverable and therefore there is no Expected Credit Loss associated with these loans. On 13 May 2021, RAOC repaid loan interest amounting to \$63,917 (US\$49,965).

For the majority of the Fund's other financial instruments, quoted market prices are readily available. However, there may be certain financial instruments, for example, over-the-counter derivatives or unquoted securities which 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.

The carrying amount of loan receivables are assessed at each reporting date, and require the Fund to make determinations as to the likelihood of recovery.

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.

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

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

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

#### **(i) Price risk**

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

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

**Note 6. Financial Instruments (continued)**

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's exposure to the risk of changes in foreign exchange rates relates primarily to the Fund's loans to, and interest income from, RNY Australia Operating Company LLC ("RAOC") which are denominated in \$USD. Refer to Note 10 for further information on the loans receivable from RAOC.

The following table demonstrates the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant.

	Impact on operating profit/net assets attributable to unitholders	
	-5%	5%
	\$	\$
30 June 2021	(17,738)	17,738
30 June 2020	(20,761)	20,761

*(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 2021. The results of this analysis are disclosed in Note 6(b).

**Note 6. Financial Instruments (continued)**

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

	Floating interest rate	Fixed interest rate	Non interest bearing	Total
30 June 2021	AUD	AUD	AUD	AUD
<b>Financial assets</b>				
Cash and cash equivalents	156,633	-	-	156,633
Dividends receivable	-	-	-	-
Loans receivable	-	2,869,096	-	2,869,096
Interest receivable	-	-	571,575	571,575
Loan establishment fee receivable	-	-	166,279	166,279
Other receivables	-	-	9,100	9,100
Financial assets held at fair value through profit or loss	-	-	1,557,198	1,557,198
<b>Financial liabilities</b>				
Distribution payable	-	-	-	-
Financial liabilities held at fair value through profit or loss	-	-	(79,128)	(79,128)
<b>Net exposure</b>	<b>156,633</b>	<b>2,869,096</b>	<b>2,225,024</b>	<b>5,250,753</b>

	Floating interest rate	Fixed interest rate	Non interest bearing	Total
30 June 2020	AUD	AUD	AUD	AUD
<b>Financial assets</b>				
Cash and cash equivalents	178	-	-	178
Dividends receivable	-	-	-	-
Loans receivable	-	2,949,549	-	2,949,549
Interest receivable	-	-	522,097	522,097
Loan establishment fee receivable	-	-	166,279	166,279
Other receivables	-	-	12,830	12,830
Financial assets held at fair value through profit or loss	-	-	1,738,321	1,738,321
<b>Financial liabilities</b>				
Distribution payable	-	-	-	-
Financial liabilities held at fair value through profit or loss	-	-	(116,119)	(116,119)
<b>Net exposure</b>	<b>178</b>	<b>2,949,549</b>	<b>2,323,408</b>	<b>5,273,135</b>

**(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.

**Note 6. Financial Instruments (continued)**

	Price Risk		Interest Rate Risk	
	Impact on operating profit/net assets attributable to unitholders			
	-10%	10%	-100 bps	+100 bps
	\$	\$	\$	\$
30 June 2021	(155,720)	155,720	(1,566)	1,566
30 June 2020	(173,832)	173,832	(2)	2

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, amounts due from the loans receivable, 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 Fund has a material credit risk exposure to the party from whom loans and interest are receivable (RNY Australia Operating Company LLC and the B-Class unitholder) at 30 June 2021.

The Fund has a 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
	\$	\$
<b>Rating</b>		
A+ (National Australia Bank)	156,426	-
AA (Westpac Bank)	-	124
BBB (Interactive Brokers)	207	54
BBB (RNY Australia Operating Company LLC)	2,090,679	2,119,825
BBB (B-Class unitholder)	778,417	829,724
<b>Total</b>	<b>3,025,729</b>	<b>2,949,727</b>

**Note 6. Financial Instruments (continued)**

**(i) Settlement of securities transactions**

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

**(ii) Cash and cash equivalents**

The exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of BBB or higher. In accordance with the Fund's Constitution, the investment manager monitors the Fund's credit position on a daily basis, and the Board of Directors reviews it on a quarterly basis.

**(iii) Loans and interest receivable**

The exposure to credit risk for loans and interest receivable is considered low given the net asset position of RNY Australia Operating Company LLC and the B-Class unitholder.

**(iv) 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 but not impaired.

**(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 was exposed to daily cash redemptions of redeemable units up until February 2016. From February 2016 to August 2016, daily applications and redemptions were suspended by the Responsible Entity. Daily cash redemptions recommenced on 8 September 2016 until 31 December 2016. From 1 January 2017, the Responsible Entity announced that redemption requests will be processed on a quarterly basis, with the first redemption date being 31 March 2017.

The Fund was also exposed to daily margin calls on derivatives. It therefore primarily holds investments that are traded in an active market and can be readily disposed. However, the Fund holds an investment in Molopo Energy Limited which are to be vested in ASIC to sell over a period of 6 months. The Fund also holds investments in Aurora Property Buy-Write Income the securities of which are suspended from trading on the ASX as at the date of this report as well as RNY Property Trust, which is unlisted. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements.

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.

**Note 6. Financial Instruments (continued)**

30 June 2021	Less than 1 month	1-6 months	6-12 months	1-2 years	Total
<b>Liabilities</b>					
Distribution payable	-	-	-	-	-
Other payables	79,128	-	-	-	79,128
Net assets attributable to unitholders	-	5,250,753	-	-	5,250,753
<b>Contractual cash flows</b>	79,128	5,250,753	-	-	5,329,881

  

30 June 2020	Less than 1 month	1-6 months	6-12 months	1-2 years	Total
<b>Liabilities</b>					
Distribution payable	-	-	-	-	-
Other payables	116,119	-	-	-	116,119
Net assets attributable to unitholders	-	5,273,135	-	-	5,273,135
<b>Contractual cash flows</b>	116,119	5,273,135	-	-	5,389,254

*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.



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

**(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:

	Level 1	Level 2	Level 3	Total
30 June 2021	\$	\$	\$	\$
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	-	-	-	-
Financial assets designated at fair value through profit or loss:				
Equity securities	141,297	1,415,901	-	1,557,198
Contracts for difference	-	-	-	-
<b>Total financial assets</b>	<b>141,297</b>	<b>1,415,901</b>	<b>-</b>	<b>1,557,198</b>
<b>30 June 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	-	-	-	-
Financial assets designated at fair value through profit or loss:				
Equity securities	73,473	1,518,346	127,433	1,719,252
Contracts for difference	19,069	-	-	19,069
<b>Total financial assets</b>	<b>92,542</b>	<b>1,518,346</b>	<b>127,433</b>	<b>1,738,321</b>

Refer to Note 4 for further information on how the fair value of the Level 3 investments has been determined.

**Transfers between levels**

There were no transfers between levels for the year ended 30 June 2021 (30 June 2020: two transfers).

**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.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

**Aurora Fortitude Absolute Return Fund**  
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**Note 7. Fair value measurement (continued)**

The 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 Fund's investment in AUP will be marked to market based on the ASX traded price. .

The Fund's investment in RNY Property Trust (ASX: RNY) was valued at \$0.011 as at 30 June 2021 based on the keybridge offer as discussed in Note 4.

**Reconciliation of level 2 fair values**

Financial assets measured using significant unobservable inputs (level 2) are shown below:

	2021 \$	2020 \$
<b>Opening Balance</b>	-	-
Transfers in/(out) of level 2	-	1,518,346
<b>Closing Balance</b>	-	1,518,346

**Reconciliation of level 3 fair values**

Financial assets measured using significant unobservable inputs (level 3) are shown below:

	2021 \$	2020 \$
<b>Opening Balance</b>	127,433	660,782
Transfers in/(out) of level 3	-	(182,909)
Change in value of financial asset held at fair value through profit or loss	(127,433)	(350,440)
<b>Closing Balance</b>	-	127,433

**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. Derivatives**

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

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility.
- a substitution for trading of physical securities.
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

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

The Fund holds the following derivative instruments:

(a) Contracts for difference

A contract for differences ("CFD") is an arrangement made in financial derivatives trading where the differences in the settlement between the open and closing trade prices are cash-settled. There is no delivery of physical goods or securities with CFDs.

The Fund's derivative financial instruments at year end are detailed as follows:

	Contractual/ notional	Fair values	
		Assets	Liabilities
30 June 2021	\$	\$	\$
Contracts for difference	-	-	-

  

	Contractual/ notional	Fair values	
		Assets	Liabilities
30 June 2020	\$	\$	\$
Contracts for difference	-	19,069	-

**Note 9. Cash and cash equivalents**

	2021 \$	2020 \$
Cash at bank	156,633	178
<b>Total cash and cash equivalents</b>	<b>156,633</b>	<b>178</b>

**Note 9. Cash and cash equivalents (continued)**

*Accounting policy for cash and cash equivalents*

Cash at bank 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. Bank overdrafts are shown within borrowings in the Statement of Financial Position.

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 10. Loans receivable**

	2021 \$	2020 \$
<b>Loans receivable from RNY Australia Operating Company LLC:</b>		
AUD\$1,500,000 repayable on 30 days notice. Interest charged at 12% p.a.	1,500,000	1,500,000
AUD\$109,000 repayable on 30 days notice. Interest charged at 12% p.a.	109,000	109,000
USD\$77,000 repayable on 30 days notice. Interest charged at 12% p.a.	102,733	111,761
USD\$24,480 repayable on 30 days notice. Interest charged at 12% p.a.	32,661	35,531
AUD\$70,000 repayable on 30 days notice. Interest charged at 12% p.a.	70,000	70,000
USD\$147,118.24 repayable on 30 days notice. Interest charged at 12% p.a.	196,285	213,533
AUD\$80,000 repayable on 30 days notice. Interest charged at 12% p.a.	80,000	80,000
Loans receivable from RNY Australia Operating Company LLC:	2,090,679	2,119,825
Loan receivable from B-Class unitholder	778,417	829,724
<b>Total loans receivable</b>	<b>2,869,096</b>	<b>2,949,549</b>

The loans receivable by the Fund from RNY Australia Operating Company LLC which are denominated in US dollars have been translated to Australian dollars at the rate of USD\$1 = AUD\$1.334196 at 30 June 2021 (30 June 2020: USD\$1 = AUD\$1.451435).

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. The Fund continues to monitor the performance of its investments closely, and in-particular the investment in units issued by RNY Property Trust ("RNY"), and loans receivable from RNY Australia Operating Company LLC ("RAOC"). RNY and RAOC have specific exposure to the United States Commercial Property Market.

**Note 11. Financial assets held at fair value through profit or loss**

	2021 \$	2020 \$
<b>Equity securities</b>		
Listed Australian equity securities	1,557,198	1,719,252
<b>Total equity securities</b>	<b>1,557,198</b>	<b>1,719,252</b>
<b>Derivatives</b>		
Contracts for difference	-	19,069
<b>Total derivatives</b>	<b>-</b>	<b>19,069</b>
<b>Total financial assets held at fair value through profit or loss</b>	<b>1,557,198</b>	<b>1,738,321</b>

**Note 11. Financial assets held at fair value through profit or loss (continued)**

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

**Note 12. Net assets attributable to unitholders**

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

<b>A-Class Units</b>	<b>2021 No.</b>	<b>2020 No.</b>	<b>2021 \$</b>	<b>2020 \$</b>
<b>Opening balance</b>	16,938,519	19,991,128	4,467,582	4,894,559
Applications	-	-	-	-
Redemptions	-	(3,063,992)	-	(750,151)
Units issued upon reinvestment of distributions	-	11,383	-	3,277
Increase/(decrease) in net assets attributable to unitholders	-	-	(59,913)	319,897
<b>Closing balance</b>	<b>16,938,519</b>	<b>16,938,519</b>	<b>4,407,669</b>	<b>4,467,582</b>
<b>B-Class Units</b>	<b>2021 No.</b>	<b>2020 No.</b>	<b>2021 \$</b>	<b>2020 \$</b>
<b>Opening balance</b>	5,733,925	5,733,925	805,553	746,752
Applications	-	-	-	-
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	-	37,531	58,801
<b>Closing balance</b>	<b>5,733,925</b>	<b>5,733,925</b>	<b>843,084</b>	<b>805,553</b>
<b>Total Units</b>	<b>2021 No.</b>	<b>2020 No.</b>	<b>2021 \$</b>	<b>2020 \$</b>
<b>Opening balance</b>	22,672,444	25,725,053	5,273,135	5,641,311
Applications	-	-	-	-
Redemptions	-	(3,063,992)	-	(750,151)
Units issued upon reinvestment of distributions	-	11,383	-	3,277
Increase/(decrease) in net assets attributable to unitholders	-	-	(22,382)	378,698
<b>Closing balance</b>	<b>22,672,444</b>	<b>22,672,444</b>	<b>5,250,753</b>	<b>5,273,135</b>

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

*Accounting policy for net assets attributable to unitholders*

Applications 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.

**Note 12. Net assets attributable to unitholders (continued)**

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 5% of the Funds Under Management ("FUM") of the Fund in the relevant quarter).

**Note 13. Distribution to unitholders**

The distributions for the year were as follows:

	2021 \$	2021 CPU	2020 \$	2020 CPU
<b>Distribution to A-Class unitholders</b>				
Distributions paid	-	-	-	-
Distributions payable	-	-	-	-
<b>Total distributions</b>	-	-	-	-

	2021 \$	2021 CPU	2020 \$	2020 CPU
<b>Distribution to B-Class unitholders</b>				
Distributions paid	-	-	-	-
Distributions payable	-	-	-	-
<b>Total distributions</b>	-	-	-	-

	2021 \$	2021 CPU	2020 \$	2020 CPU
<b>Total distribution to unitholders</b>				
Distributions paid	-	-	-	-
Distributions payable	-	-	-	-
<b>Total distributions</b>	-	-	-	-

*Accounting policy for distribution to unitholders*

The Fund distributes its distributable income in accordance with the Fund Constitution, to unitholders by cash or reinvestment. The distributions are recognised in profit or loss as finance costs attributable to unitholders. 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 14. Other operating expenses**

	2021 \$	2020 \$
<b>Other operating expenses</b>	376	408
<b>Total other operating expenses</b>	376	408

The Fund announced via a fund update that effective 8 August 2017, Aurora Funds Management Limited may begin charging all its normal operating expenses to the Fund in accordance with the Constitution.



**Aurora Fortitude Absolute Return Fund**  
**Notes to the financial statements**  
**30 June 2021**

**Note 15. 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. The Responsible Entity is responsible for paying this remuneration of auditor on behalf of the Fund.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Audit and other assurance services</b>		
Audit and review of financial statements	17,500	17,500
Audit of compliance plan	4,500	4,500
<b>Total remuneration for audit and other assurance services</b>	<b>22,000</b>	<b>22,000</b>
<b>Taxation services</b>		
Tax compliance services	10,270	10,270
<b>Total remuneration for tax services</b>	<b>10,270</b>	<b>10,270</b>
<b>Total remuneration of auditors</b>	<b>32,270</b>	<b>32,270</b>

**Note 16. Related party transactions**

*Responsible Entity*

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

*Key management personnel unitholdings*

As at 30 June 2021, Wairoa Nominees Pty Ltd as trustee for Patton Family Trust holds 937,031.79 (2020: 937,031.79) units in Aurora Fortitude Absolute Return Fund. John Patton is Managing Director of Aurora Funds Management Limited.

As at 30 June 2021, Victor Siciliano as trustee for the VS Family Trust holds 306,279.01 (2020: 306,279.01) 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 holds 10,259 units (30 June 2020: 10,259 units) in the Fund, the fair value of which is \$2,669 (30 June 2020: \$2,706). Distributions of \$Nil (30 June 2020: \$Nil) were paid/payable by the Fund to Aurora Funds Management Limited.

Aurora Absolute Return Fund holds 6,631,871 units (30 June 2020: 6,631,871 units) in the 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 Fund to Aurora Absolute Return Fund.

*Other related party information*

Aurora Corporate

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

**Note 16. Related party transactions (continued)**

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

Directorships

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

- Mr Patton was appointed to the Board of Keybridge Capital Limited as a Non-Executive Director on 10 August 2016 and was subsequently appointed to the role of Chairman on 13 October 2016. On 21 January 2020, Mr Patton retired from his position as Director and Chairman of Keybridge Capital Limited.
- Mr Patton was appointed to the Board of Metgasco Limited 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 1,412,951 units (30 June 2020: 1,412,951 units) in Aurora Global Income Trust, the fair value of which is \$141,295 (30 June 2020: \$73,473). Distributions of \$Nil (30 June 2020: \$Nil) were paid/payable by the Aurora Global Income Trust to the Fund.

The Fund holds 414,936 units (30 June 2020: 414,936 units) in Aurora Property Buy-Write Income Trust, the fair value of which is \$1,384,807 (30 June 2020: \$1,440,118). Distributions of \$Nil (30 June 2019: \$64,111) were paid/payable by Aurora Property Buy-Write Income Trust to the Fund.



**Note 16. Related party transactions (continued)**

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

Under the terms of the Fund Constitution, the Responsible Entity is entitled to receive fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Fund as follows:

- Management fee payable to the Responsible Entity is 1.49% (including GST) per annum;
- Performance fee of 20.50% (including GST) per annum is applied to the total excess between the Total Unit Holder Return (TUR) and the RBA Cash Rate plus 1% daily. Performance fees are payable half-yearly.

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

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

	2021 \$	2020 \$
Management fees for the year paid/payable by the Fund to the Responsible Entity	44,791	39,506
Recoverable costs of Responsible Entity for the year paid/payable by the Fund to the Responsible Entity	125,119	125,119
Other expenses for the year paid/payable by the Fund to the Responsible Entity	70,393	83,659
Balance owing to the Responsible Entity at the end of the reporting period	79,128	82,745

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

*Loans*

The Fund owns 1.07% of the units in RNY Property Trust, which in turn owns 100% of RNY Australia LPT Corp, which in turn owns 75% of RNY Australia Operating Company LLC.

The Fund has advanced loans totalling \$2,090,679 to RNY Australia Operating Company LLC at 30 June 2021 (30 June 2020: \$2,119,825), denominated in \$AUD and \$USD. Interest is payable on these loans at 12% per annum. The loans are unsecured. For the year ended 30 June 2021 interest of \$243,396 (30 June 2020: \$248,106) is payable on the loans.

**Note 17. Reconciliation of profit to net cash inflow/(outflow) from operating activities**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reconciliation of profit/(loss) to net cash inflow from operating activities</b>		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	(22,382)	378,698
Distribution to unitholders	-	-
Proceeds from sale of financial instruments held at fair value through profit or loss	236,264	2,012,279
Purchase of financial instruments held at fair value through profit or loss	(135,246)	(138,200)
Transaction costs on sale and purchase of financial instruments	-	(219)
Net (gains)/losses on financial instruments held at fair value through profit or loss	80,105	(369,818)
Net change in other receivables	34,705	(1,149,027)
Net change in payables	(36,991)	63,664
<b>Net cash inflow/(outflow) from operating activities</b>	<b>156,455</b>	<b>797,377</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>(b) Non-cash financing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	-	3,277

**Note 18. 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.

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.

**Note 19. Commitments**

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

**Note 20. Contingent assets and liabilities**

There were no contingent assets and liabilities as at 30 June 2021 (2020: Nil).

## Director's Declaration

The Directors of the Responsible Entity declare that:

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

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

John Patton  
Managing Director  
29 October 2021

# Independent Auditor's Report

## To the Unitholders of Aurora Fortitude Absolute Return Fund

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Aurora Fortitude 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.

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

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

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

#### **Responsibilities of the Directors for the financial report**

The Directors of the 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](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 29 October 2021