

Aurora Absolute Return Fund

ARSN 110 303 430

ANNUAL REPORT

For the year ended 30 June 2014

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Corporate Directory

Directors of Responsible Entity	Aurora Funds Management Limited John Corr Simon Lindsay Oliver Morgan Ian Steuart Roe
Company Secretary	Betty Poon
Principal Registered Office in Australia	Level 4, 1 Alfred Street Sydney, NSW 2000 (02) 9080 2377
Share register	Registry Direct (Formerly known as ShareandFund Pty Ltd) Level 2, Professional Chambers 120 Collins Street East Melbourne VIC Australia 3000
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Baker & McKenzie Level 27, AMP Centre 50 Bridge Street Sydney NSW 2000
Custodian and Prime Broker	UBS Nominees Pty Ltd 2 Chifley Square Sydney NSW 2000
Administrator	Unity Fund Services Pty Limited Level 13, 20 Hunter Street Sydney NSW 2000
Stock exchange listings	Aurora Absolute Return Fund units are listed on the Australian Securities Exchange (ASX)
Website address	www.aurorafunds.com.au

Directors' Report

The directors of Aurora Funds Management Limited (ABN 69 092 626 885), (the "Responsible Entity") of Aurora Absolute Return Fund ("the Fund"), present their report together with the financial statements of the Fund for the financial year ended 30 June 2014.

Principal activities

The Fund invests in the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) (the "Master Fund"), in accordance with the provision of the Fund Constitution and the current Product Disclosure Statement.

The Fund did not have any employees during the year.

The Responsible Entity's Australian Financial Services Licence permits it to facilitate the Trust investing in itself (via 'Treasury Units') in order to provide trading liquidity. The Responsible Entity manages a market making service for the Trust, and offers units for sale and bids to purchase units. Treasury unit trading is conducted to facilitate applications and redemptions through the ASX platform.

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 or since the end of the year and up to the date of this report:

John Corr
 Alastair Davidson (resigned 12 March 2014)
 Simon Lindsay
 Oliver Morgan (appointed 4 February 2014)
 Stuart Roe

Review and results of operations

During the year, the Fund continued 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.

Financial results for the year

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

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
Operating profit before finance costs attributable to unitholders	338,071	380,145
Distributions paid and payable	1,130,745	641,400
Distribution (cents per unit) 30 September	1.59	2.20
Distribution (cents per unit) 31 December	1.59	1.70
Distribution (cents per unit) 31 March	1.59	1.60
Distribution (cents per unit) 30 June	1.60	1.59

Directors' Report (continued)

Financial Position

Net Tangible Assets per unit as disclosed to the Australian Securities Exchange ("ASX")

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

	30 June 2014	30 June 2013
	\$	\$
At 30 June	1.028	1.089
High during period	1.070	1.097
Low during period	1.028	1.060

Reconciliation of net assets for unit pricing and financial reporting purposes

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

	30 June 2014	30 June 2013
	\$	\$
Net assets for unit pricing purposes (at Cum)	25,070,505	10,185,516
Distribution payable	(373,610)	(149,684)
Franking credits included in unit pricing	(280,207)	(150,626)
Nets assets under Australian Accounting Standards	24,416,688	9,885,206

Information on Underlying Performance

The performance of the Fund is subject to the performance of the Fund's underlying 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.

Strategy and Future Outlook

The Fund invests in the Master Fund and 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 provides regular updates, including monthly NTA announcements, which can be found in the announcement section of the Australian Securities Exchange website.

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

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

No matter or circumstance has arisen since 30 June 2014 that has 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

Directors' Report (continued)

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards 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.

Fees paid and interests held in the Funds by the Responsible Entity or its associates

There were no fees paid to the Responsible Entity and its associates out of Fund property during the year.

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 12 to the financial statements.

Interests in the Funds

The movement in units on issue in the Fund during the year is disclosed in note 8 to 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 2 to 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

Directors

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

John Corr **B Comm**, *Executive Director, Chief Investment Officer, Age 51*

John is the Managing Director and founder of Fortitude Capital Pty Ltd, a related company to the Responsible Entity. John has over 27 years experience in the financial markets. Prior to establishing Fortitude Capital, he was a director at Citigroup Global Markets Australia. He worked in proprietary trading for eight years, trading local and overseas equities and equity derivatives, and was responsible for the management and development of a team of equity proprietary traders. John is responsible for the overall portfolio and risk management of Fortitude's various investment funds.

Alastair Davidson **B.Sc Economics (Hons) CA**, *Executive Director, Head of Institutional Business, Age 56*

Alastair is a founding director of Aurora Funds Management Limited. He has over 30 years experience in senior executive roles in the United Kingdom, United States and Australian banking and financial services industries.

Prior to Aurora Funds Management Limited, Alastair was the Head of Investment Banking at Challenger International Limited. There, he was instrumental in developing investment products including hedge funds, hybrids, fixed interest, and venture capital. Previous to that he was co-head of the structured product group at Salomon Smith Barney (County NatWest) in Sydney, and specialised in equity derivative based investment products. Alastair is also a director of Australasian Wealth Investment Limited, Chairman of Biotech Capital Limited, and Treasurer of the Centenary Institute of Medical Research. Alastair Davidson resigned as a director on 12 March 2014.

Directors' Report (continued)

Simon Lindsay B. BUS, Executive Director, Head of Distribution, Age 43

Simon is a founding director of AFML and is responsible for the Australian and New Zealand distribution of Aurora Funds Management Limited's products. He brings to the Company over 20 years experience in financial services, and has an extensive knowledge of the Australian financial planning market from his previous business development experience at both Challenger International Limited and Ord Minnett Limited.

Oliver Morgan B.E. Civil B.A. Accounting, Grad Dip Fin PI, Current Independent Non-Executive Chairman of the Board, Age 69

Oliver is a founder of Aurora Funds Management Limited and is Chairman (Independent Non-Executive Director) of Aurora Funds Management Limited. Oliver has over 40 years experience in stockbroking, corporate banking and funds management. Prior to his appointment as Chairman, Oliver served as an Executive Director of Aurora Funds Management Limited and has held numerous business development roles in stockbroking, local and international banks and financial services companies. Oliver is responsible for the existence of an effective strategic planning program and for the consideration of future development possibilities of the Company. He acts as an advisor board for the Managing Director and other members of the Board.

Ian Steuart Roe BSc MAppFin, Former Chairman and Managing Director, Age 47

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

Interests held by the Responsible Entity and Directors

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

Remuneration report

The Responsible Entity of Aurora Absolute Return Fund is Aurora Funds Management Limited. Aurora Funds Management Limited is a wholly owned subsidiary of Aurora Funds Ltd. The key management remuneration disclosures as required are provided in the financial statements of Aurora Funds Limited, which are publicly available through the ASX.

Proceedings on behalf of Fund

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 auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



Steuart Roe

Director

29 August 2014

Corporate Governance Statement

Corporate Structure

The Aurora Absolute Return Fund (the “Fund”) is a registered Managed investment scheme under the *Corporations Act 2001*, and Aurora Funds Management Limited (“Aurora”) is the Responsible Entity of the Fund.

A Responsible Entity (the “RE”) of a scheme must perform the duties detailed in the Fund Constitution and those regulated by the *Corporations Act 2001*. The duties of the RE include, amongst other things:

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

The Board

The Board of Aurora Funds Management Limited is responsible for ensuring that the best corporate governance standards are applied. The names of the directors are set out in the Directors' Report above. These directors each have a number of years of experience in the funds management industry, the duties of the RE and in the Fund.

The independence obligations of the Board are fulfilled by the Compliance Committee. The Board considers all relevant circumstances in determining whether a Compliance Committee member (detailed below) is independent, including the following:

- Company shares owned directly or indirectly by the committee member;
- Employment by the company (or its associates) of the committee member (or a family member) either currently, or in the past;
- Business relationship between the company (or associates of the committee member (or a family member) or business entity associated with the committee member or with service providers in whom the committee member has an interest;
- Any material contractual relationship with the company or its associates other than as a committee member; and
- Any other interest or relationship (e.g. as a material supplier or customer) which could interfere with the committee member's ability to act in the best interests of the company.

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

In addition, the RE operates the Fund as a scheme under the *Corporations Act 2001* and therefore the RE must comply with the Compliance Plan lodged with ASIC prior to units in the Fund being issued. The Corporate Governance of the Fund is regulated by the Compliance Committee, which must have a majority of independent members. The Compliance Committee operates under a Compliance Committee charter, and is responsible for monitoring the RE's compliance with the Compliance Plan and reporting any breaches to the Board of the RE and ASIC. It is also responsible for reviewing the operations on the RE.

The Compliance Committee

The Compliance Committee for the RE comprises:

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

Mr David Lewis is a qualified actuary and has over 42 years experience in financial services, predominantly in administration and consulting to fund management companies. David serves on the compliance committees of a number of Responsible Entities.

Mr Mark Hancock is a qualified actuary and has over 30 years experience in the securities and funds management industry. Mark has significant applied research experience in Australian Equity markets accumulated from a variety of roles over a period of some 20 years. He was previously an equity portfolio manager with NRMA and MMI Insurance.

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

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

- to the books and records and any other relevant information on the Fund and the RE, including all the staff of the RE
- the auditors of the RE
- the auditors of the Funds issued by the RE; and
- the auditor of the Compliance Plan

Financial Reporting

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

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

- That the Compliance Plan and Fund auditor are appropriately qualified, and legally eligible to act at all times
- That the terms of their appointment are appropriate and accord with the *Corporations Act 2001*
- That the auditors have access to all relevant information as required
- That the auditors conduct all enquiries and provide all reports as required by the *Corporations Act 2001*

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

Public Disclosure

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

Rights of Unitholders

The Constitution of the Fund and the *Corporations Act 2001* governs the rights of unitholders, including their rights to the income and assets of the Fund. The RE is not required to hold an annual general meeting of unitholders, however a meeting may be called by unitholders with at least 5% of the votes that may be cast on a resolution or by 100 unitholders who are entitled to vote.

The RE runs an extensive website that provides all publicly available information to unitholders that ensures compliance with the general principles of “good reporting” and compliance with our statutory obligations, under *Corporations Act 2001*, ASIC, and ASX regulations.

Risk Management and Oversight

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

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

The Compliance Committee meets and reviews all external service providers on a quarterly basis. The board of the RE reviews the management contracts of external managers and investment advisers, which are publicly available contracts. Key terms are disclosed in the current Product Disclosure Statement which is available at www.aurorafunds.com.au, as well as summarised in this Annual Report.

Corporate Governance Practices of Aurora and the Fund

The Fund and Aurora have complied with all the Corporate Governance Principles as at 30 June 2014, except where stated below.

Recommendation 8.1: *Process for the performance evaluation of the board and compliance committee members*

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

The Directors
Aurora Funds Management Limited
Level 4, 1 Alfred Street
SYDNEY NSW 2000

29 August 2014

Dear Directors

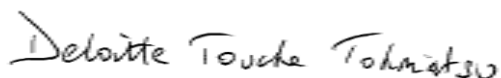
Independence Declaration – Aurora Absolute Return Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Aurora Funds Management Limited, the Responsible Entity of Aurora Absolute Return Fund.

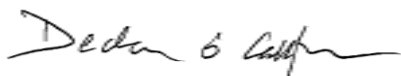
As lead audit partner for the audit of the financial statements of Aurora Absolute Return Fund for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants

Aurora Absolute Return Fund
ARSN 110 303 430
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

Statement of Profit or Loss and Other Comprehensive Income

		Year ended	
	Notes	30 June 2014	30 June 2013
		\$	\$
Income			
Interest income		13,931	9,398
Dividend and distribution income		1,083,808	619,383
Net losses on financial instruments held at fair value through profit or loss	7	(753,208)	(243,252)
Total net investment income		344,531	385,529
Expenses			
Other operating expenses	5	6,460	5,384
Total operating expenses		6,460	5,384
Operating profit for the year		338,071	380,145
Finance costs attributable to unitholders			
Distributions to unitholders	9	(1,130,745)	(641,400)
(Increase)/decrease in net assets attributable to unitholders	8	792,674	261,255
Profit/(loss) for the year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

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

Statement of Financial Position

		As at	
	Notes	30 June 2014	30 June 2013
		\$	\$
Assets			
Cash and cash equivalents	10	1,278,550	455,590
Receivables		358,757	142,616
Financial assets held at fair value through profit or loss	11	23,156,788	9,448,696
Total assets		24,794,095	10,046,902
Liabilities			
Distribution payable		375,769	155,010
Other liabilities		8,068	6,686
Total liabilities (excluding net assets attributable to unitholders)		383,837	161,696
Net assets attributable to unitholders - liability	8	24,410,258	9,885,206
Liability attributable to unitholders		(24,410,258)	(9,885,206)
Net assets		-	-

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

Statement of Changes in Equity

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
Total equity at the beginning of the year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with equity holders in their capacity as equity holders	-	-
Total equity at the end of the financial year	-	-

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

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

Statement of Cash Flows

	Notes	Year ended	
		30 June 2014	30 June 2013
		\$	\$
Cash flows from operating activities			
Proceeds from sale of financial instruments		-	4,006,500
Purchase of financial instruments		(14,461,301)	(6,584,300)
Amounts paid to brokers for futures commissions		-	-
Dividends and distributions received		868,346	562,172
Interest received		13,286	10,577
GST recovered		(32)	62
Payment of other expenses		(6,462)	(5,475)
Net cash outflow from operating activities	13 (a)	(13,586,163)	(2,010,464)
Cash flows from financing activities			
Proceeds from applications by unit holders	8	238,157	548
Payments for redemptions by unit holders	8	(14,246)	(59,778)
Proceeds from redemption of treasury units		17,249,504	4,614,936
Payments for application of treasury units		(2,285,159)	(2,220,914)
Distributions paid		(779,133)	(514,183)
Net cash inflow from financing activities		14,409,123	1,820,609
Net (decrease)/increase in cash and cash equivalents		822,960	(189,855)
Cash and cash equivalents at the beginning of the year		455,590	645,445
Cash and cash equivalents at the end of the year		1,278,550	455,590
Non-cash financing activities	13 (b)	137,532	129,427

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

Notes to the financial statements

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1 General information

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

The Responsible Entity of the Fund is Aurora Funds Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 4, 1 Alfred Street, Sydney, NSW 2000. The financial statements are presented in Australian currency.

It is recommended that these financial statements are considered together with the current product disclosure document and in accordance with the provisions of the governing documents of the Fund, and any public announcements made by the Fund during the year ended 30 June 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

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

The financial statements were authorised for issue by the directors of the Responsible Entity on 29 August 2014. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. Aurora Absolute Return Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are 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.

Compliance with International Financial Reporting Standards

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

New and amended standards adopted by the Fund

The Fund has adopted all the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the operations and effective for the financial year:

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

In accordance with AASB 13, the standard has been applied prospectively and the Fund has adopted a definition of fair value, as set out Note 4. The change had no material impact on the measurement of the Fund's assets and liabilities. However the Fund has included new disclosures in Note 4 of the financial statements which are required under AASB 13.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments have been applied retrospectively. As the Fund does not have any offsetting arrangements in place, the application of the amendments has had no material impact on disclosures or on the amounts recognised in the financial statements.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. The Trust has removed the individual key management personnel disclosure in Note 12. This is provided in the financial statements of Aurora Funds Limited.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- 13

The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Fund are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB CF 2013-1 Amendments to the Australian Conceptual Framework and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting period and have not been early adopted by the Fund as disclosed in the table below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
AASB 2013-3 'Amendments to AASB 136 – Recoverable amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards'	1 January 2015	30 June 2016
- Part A 'Annual Improvements 2010-2012 and 2011-2013 Cycles'		
- Part C 'Materiality'		

As at the date of authorisation of the Financial Statements the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 9 'Financial Instruments'	1 January 2018	30 June 2019
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

The Fund has not yet assessed the potential impact of these standards.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Financial instruments

(i) Classification

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

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

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

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

(iii) Measurement

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

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Measurement (continued)

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

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

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making.

Further details on how the fair value of financial instruments is determined are disclosed in note 3(e).

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statement of comprehensive income.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

(d) Net assets attributable to unitholders

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.

(e) Cash and cash equivalents

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

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

(f) 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 2(c).

The effective interest method is the 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.

2 Summary of significant accounting policies (continued)

(f) Investment income (continued)

Dividend income is recognised on the ex-dividend date, inclusive of any related foreign withholding tax. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of 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.

(g) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the Statement of comprehensive income on an accruals basis.

(h) 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 benefits of imputation credits and foreign tax paid are passed on to unitholders.

(i) Distributions

The Fund distributes its distributable income in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in profit or loss as finance costs attributable to unitholders.

(j) Increase/decrease in net asset attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of comprehensive income as finance costs.

(k) 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 capital 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 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 comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

(l) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the brokers, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

2 Summary of significant accounting policies (continued)

(m) Receivables

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

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

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

(n) Payables

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

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the Balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(o) Applications and redemptions

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

On market

Unitholders may instruct their stockbroker or financial adviser to purchase or sell units on the ASX market. These applications and redemptions are traded using the Treasury Units, where the Responsible Entity will offer units for sale at a small spread above, and bids to purchase units at a small spread below, the net tangible asset value.

Off Market

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust.

Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

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

Treasury Units

The Responsible Entity's Australian Financial Services Licence permits it to facilitate the Trust investing in itself (via 'Treasury Units') in order to provide trading liquidity. The Responsible Entity manages a market making service for the Trust, and offers units for sale and bids to purchase units. Treasury unit trading is conducted to facilitate applications and redemptions through the ASX platform. The Trust recognises the treasury units on the date of settlement.

(p) 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 expenses have been recognised in the Statement of 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 Balance sheet. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(q) Use of estimates

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

2 Summary of significant accounting policies (continued)

(q) Use of estimates (continued)

The Fund solely invests in an unlisted unit trust which is recorded at the redemption value per unit as reported by the investment managers of such trust. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

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

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

(r) Segment information

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

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

3. Financial risk management

The Fund's activities expose it to a variety of financial risks: 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 maximise the returns derived for the level of risk to which the Fund is exposed. The Fund uses derivative financial instruments to moderate and create certain risk exposures. 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 price risks and rating analysis for credit 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 derivatives.

The Fund invests directly into the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800, the "Master Fund").

The Fund is exposed to equity securities and derivative securities price risk through investments made within the Master Fund. This arises from investments which were held by the Master 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.

The Master Fund aims to achieve absolute returns (i.e. positive returns in both rising and falling equity markets) by using a number of different investment strategies that allow the Master Fund to have very little correlation to the stock market index. The focus on 'absolute returns' differs from traditional funds in that the Master Fund aims to produce returns regardless of equity market conditions.

A sensitivity analysis was performed showing how the effect of a 10 per cent increase (2013: 10 per cent) and a 10 per cent decrease (2013: 10 per cent) in market prices would have increased/decreased the impact on operating profit/net assets attributable to unitholders as at 30 June 2014. The results of this analysis are disclosed in 'Note 3(b) - sensitivity analysis' on page 20.

3. Financial risk management (continued)

(a) Market risk (continued)

(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 exchange risk and no sensitivity analysis was performed.

(iii) Cash flow and fair value interest risk

The Fund is exposed to cash flow interest rate 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 asset held by the Fund subject to interest rate risk is 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 (2013: 100 basis point) and a 100 basis point decrease (2013: 100 basis point) 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 2014. The results of this analysis are disclosed in 'Note 3(b) – Summarised sensitivity analysis.

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 2014				
Financial Assets				
Cash and cash equivalents	1,278,550	-	-	1,278,550
Receivables	-	-	358,757	358,757
Financial assets held at fair value through profit or loss	-	-	23,156,788	23,156,788
Financial Liabilities				
Distribution payable	-	-	(375,769)	(375,769)
Other liabilities	-	-	(8,068)	(8,068)
Net exposure	1,278,550	-	23,131,708	24,410,258

3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest risk (continued)

	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$
30 June 2013				
Financial assets				
Cash and cash equivalents	455,590	-	-	455,590
Receivables	-	-	142,616	142,616
Financial assets held at fair value through profit or loss	-	-	9,448,696	9,448,696
Financial liabilities				
Distributions payable	-	-	(155,010)	(155,010)
Other liabilities	-	-	(6,686)	(6,686)
Net exposure	455,590	-	9,429,616	9,885,206

(b) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Fund's operating profit and net assets attributable to unitholders to 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, historical correlation of the Fund's investments with the relevant benchmark and 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 unit holders			
	-10%	10%	-100 bps	100 bps
30 June 2014	(2,315,679)	2,315,679	(12,786)	12,786
30 June 2013	(944,870)	944,870	(4,556)	4,556

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.

3 Financial risk management (continued)

(c) Credit risk

The Fund is exposed to credit risk which is the risk that the counterparty will be unable to pay amounts in full when they fall due. 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 that transactions are undertaken with a large number of counterparties.

The Fund has a prime brokerage agreement with UBS, 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 2014.

The Fund invests directly into the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800, APIR Code: AFM0005AU, the "Master Fund"). However, the credit risk associated to the Fund's investment in the Master Fund is mitigated on the basis that the Master Fund has a recommended credit rating by Zenith Investment Partners.

The Fund also has material credit risk exposure in their cash assets held by UBS and Westpac at 30 June 2014.

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

	Year ended	
	30 June 2014	30 June 2013
Rating	\$	\$
A	1,201,776	454,036
AA	76,774	1,554
	1,278,550	455,590

(i) Cash and cash equivalents

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

(ii) 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 is exposed to monthly cash redemptions of redeemable units. The Fund invests directly into the Master Fund which has daily applications and redemptions.

Investments in unlisted unit trusts expose the Fund to the risk that the Responsible Entity or manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Fund.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the 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 or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. No over-the-counter derivative contracts were held at year end.

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

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interest of unitholders.

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

The table below analyses the 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.

	Less than 1 month \$	1-6 months \$	6-12 months \$	1-2 years \$	Total \$
As at 30 June 2014					
Distribution payable	375,769	-	-	-	375,769
Other liabilities	6,268	1,800	-	-	8,068
Net assets attributable to unitholders	24,410,258	-	-	-	24,410,258
Contractual cash flows (excluding gross settled derivatives)	24,792,295	1,800	-	-	24,794,095
	Less than 1 month \$	1-6 months \$	6-12 months \$	1-2 years \$	Total \$
As at 30 June 2013					
Distribution payable	155,010	-	-	-	155,010
Other liabilities	-	6,686	-	-	6,686
Net assets attributable to unitholders	9,885,206	-	-	-	9,885,206
Contractual cash flows (excluding gross settled derivatives)	10,040,216	6,686	-	-	10,046,902

4 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss (FVTPL)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

4. Fair value measurement (continued)

(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 set out in Note 2. 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 midmarket 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 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 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.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. As at 30 June 2014, the Fund had \$23,156,788 (2013: \$9,448,696) financial instruments in level 2.

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

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value for the year ended 30 June 2014 and 30 June 2013

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2014				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	23,156,788	-	23,156,788
Total	-	23,156,788	-	23,156,788
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2013				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	9,448,696	-	9,448,696
Total	-	9,448,696	-	9,448,696

4. Fair value measurement (continued)

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

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and certain listed unit trusts.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include certain listed equities, certain listed unit trusts, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include corporate debt securities. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

Transfers between levels

There have been no transfers between levels for the year ended 30 June 2014 and 30 June 2013.

5 Other operating expenses

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
Legal fees	-	4,164
Bank, prime broker and brokerage fees	3,910	1,215
Other expenses	2,550	5
	6,460	5,384

6 Remuneration of auditors

During the 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 Deloitte Touche Tohmatsu (2013: PwC). The responsible entity is responsible for paying this remuneration of auditor on behalf of the Fund.

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
Audit and other assurance services		
Audit and review of financial statements	12,720	13,378
Audit of the compliance plan	3,000	1,429
Total remuneration for audit and other assurance services	15,720	14,807
Taxation services		
Tax compliance services	2,600	3,400
Total remuneration for tax services	2,600	3,400
Total remuneration of auditor	18,320	18,207

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

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
Financial assets		
Net realised loss on financial assets held at fair value through profit or loss	-	(33,061)
Net unrealised loss on financial assets held at fair value through profit or loss	(753,208)	(210,191)
Total net loss on financial instruments held at fair value through profit or loss	(753,208)	(243,252)

8 Net assets attributable to unitholders

	Year ended			
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Number of units	Number of units	\$	\$
Opening balance - excluding treasury units	9,360,125	7,088,187		
Applications	16,424,432	4,273,706		
Redemptions	(2,174,619)	(2,122,320)		
Units issued upon reinvestment of distributions	129,625	120,552		
Closing balance - excluding treasury units	23,739,563	9,360,125		
Opening balance - treasury units	982,636	108,748		
Applications	2,153,579	2,067,129		
Redemptions	(16,200,094)	(4,273,241)		
Creation of treasury units	14,200,000	3,080,000		
Closing balance - treasury units	1,136,121	982,636		
Opening balance - including treasury units	10,342,761	7,196,935	9,885,206	7,682,242
Applications	18,578,011	6,340,835	17,487,661	4,615,484
Redemptions	(18,374,713)	(6,395,561)	(2,307,467)	(2,280,692)
Units issued upon reinvestment of distributions	129,625	120,552	137,532	129,427
Creation of treasury units	14,200,000	3,080,000	-	-
Decrease in net assets attributable to unitholders	-	-	(792,674)	(261,255)
Closing balance - including treasury units	24,875,684	10,342,761	24,410,258	9,885,206

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

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. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

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 monthly applications and redemptions at the discretion of unitholders. From 1 July 2014, the Fund has moved to daily applications and redemptions.

Under the terms of the Fund Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

9 Distributions to unitholders

The distributions for the year were as follows:

	Year ended			
	30 June 2014		30 June 2013	
	\$	CPU	\$	CPU
Distributions paid	757,135	4.77	491,716	5.50
Distributions payable	373,610	1.59	149,684	1.59
Total distributions	<u>1,130,745</u>		<u>641,400</u>	

10 Cash and cash equivalents

	As at	
	30 June 2014	30 June 2013
	\$	\$
Cash at bank	1,278,550	455,590
Total	<u>1,278,550</u>	<u>455,590</u>

11 Financial assets held at fair value through profit or loss

	As at	
	30 June 2014	30 June 2013
	\$	\$
Designated at fair value through profit or loss		
Unlisted unit trusts	23,156,788	9,448,696
Total financial assets held at fair value through profit or loss	<u>23,156,788</u>	<u>9,448,696</u>
Comprising:		
Unlisted unit trusts		
Units in Australian unit trusts	23,156,788	9,448,696
Total financial assets held at fair value through profit or loss	<u>23,156,788</u>	<u>9,448,696</u>

An overview of the risk exposure relating to financial assets at fair value through profit or loss is included in Note 4.

12 Related party transactions

Responsible Entity

The Responsible Entity of Aurora Absolute Return Fund is Aurora Funds Management Limited.

Other transactions within the Fund

During the previous financial year, the Fund transferred the unit registry functions to Registry Direct which is owned by one of the Responsible Entity, Stuart Roe. Fees paid to Registry Direct were directly paid by the Responsible Entity and not reimbursed by the Fund. The transactions between Registry Direct and the Responsible Entity are detailed below:

	30 June 2014	30 June 2013
	\$	\$
Fees paid to Registry Direct by the Responsible Entity on behalf of ABW	<u>31,148</u>	-

12 Related party transactions (continued)

Other transactions within the Fund (continued)

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

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 unit holdings

The Trust may purchase and sell units in itself as part of its Treasury Unit trading activities. Details of the Trust's investments in itself are set out below:

30 June 2014

	No. units held Opening	No. units held Closing	Fair value of Investment (\$)	Interest held	No of units acquired	No. of units disposed	Distributions paid/payable by the Trust (\$)
Aurora Absolute Return Fund	982,636	1,136,121	1,168,046	4.57%	16,353,579	16,200,094	69,247

30 June 2013

	No. units held Opening	No. units held Closing	Fair value of investment (\$)	Interest held	No of units acquired	No. of units disposed	Distributions paid/payable by the Trust (\$)
Aurora Absolute Return Fund	108,748	982,636	1,037,467	9.50%	5,147,129	4,273,241	32,715

Investments

The Fund held investments in the following schemes which are also managed by the Responsible Entity:

	As at 30 June 2014 \$	30 June 2013 \$
Aurora Fortitude Absolute Return Fund	23,156,788	9,448,696

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

No amounts of management fees were paid by the Fund to the Responsible entity (2013: \$nil)

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

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
(a) Reconciliation of profit to net cash inflow/(outflow) from operating activities		
Profit for the year		-
Increase/(decrease) in net assets attributable to unitholders	(792,674)	(261,255)
Distributions to unitholders	1,130,745	641,400
Proceeds from sale of financial instruments held at fair value through profit or loss	-	4,006,500
Purchase of financial instruments held at fair value through profit or loss	(14,461,301)	(6,584,300)
Net losses on financial instruments held at fair value through profit or loss	753,208	243,252
Net change in receivables	(216,140)	(56,067)
Net change in payables	(1)	6
Net cash outflow from operating activities	(13,586,163)	(2,010,464)

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	137,532	129,427

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

14 Events occurring after reporting period

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 Balance sheet as at 30 June 2014 or on the results and cash flows of the Fund for the year ended on that date.

15 Commitments

There were no commitments for expenditure at 30 June 2014 (2013 - nil)

16 Contingent assets and liabilities

There were no contingent assets and liabilities at 30 June 2014 (2013 - nil).

Directors' declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the scheme will be able to its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements the attached financial statements are in compliance with International Financial Reporting Standards, as noted in 3.1 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 an giving a true and fair view of the financial position and performance of the scheme; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Responsible Entity, Aurora Funds Management Limited



Steuart Roe

Director

Sydney, NSW
29 August 2014

Additional information

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

Investment Portfolio

As at 30 June 2014, the Fund had the following investment:

Aurora Fortitude Absolute Return Fund

Investment Transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 19.

The total brokerage paid on these contract notes was \$nil.

Unitholder information

The following unit holder information set out below was applicable as at 30 June 2014.

Distribution of holdings	Number of unitholders
1-1,000	59
1,001-5,000	150
5,001-10,000	125
10,001-100,000	365
100,001-99,999,999,999	37
Total	736

Top 20 Unit holders

The names of the largest twenty unit holders in the Fund as at 30 June 2014 are listed below:

Holder Name	Number of units held	Percentage of total
MR PETER DRANEY	1,639,000	6.589
UBS NOMINEES PTY LTD	1,531,087	6.155
SPECIAL BENEFITS INSURANCE PTY LTD	1,316,431	5.292
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	710,802	2.857
MR MICHAEL RIGONI	591,600	2.378
MR IAN JOICEY	421,988	1.696
NETWEALTH INVESTMENTS LIMITED	378,738	1.523
KELADREN PTY LTD	328,028	1.319
CITICORP NOMINEES PTY LIMITED	285,089	1.146
BT PORTFOLIO SERVICES LIMITED	278,790	1.121
MCENTEE SUPER PTY LTD	271,165	1.090
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	239,621	0.963
ASGARD CAPITAL MANAGEMENT LTD	221,322	0.889
ASGARD CAPITAL MANAGEMENT LTD	208,870	0.840
PALM AVENUE INVESTMENTS PTY LIMITED	203,009	0.816
CALAMA HOLDINGS PTY LTD	200,000	0.804
MRS LINDA GRAY	185,000	0.744
QUOTE HOLDINGS PTY LTD	170,546	0.686
R STEWART PTY LTD	170,059	0.684
MRS ALICE ROSLYN GRIMMETT	150,000	0.603
	9,501,145	38.195

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

Independent Auditor's Report to the Unitholders of Aurora Absolute Return Fund

We have audited the accompanying financial report of Aurora Absolute Return Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund as set out on pages 9 to 31.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, Aurora Funds Management Limited, 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 Note 2, the directors of the Responsible Entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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



Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Aurora Absolute Return Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Declan O'Callaghan".

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 29 August 2014