

Aurora Absolute Return Fund

ARSN 110 303 430

Interim Financial Report

For the half-year ended 31 December 2019

Contents

	Page
Directors' report	2
Auditor's independence declaration	5
Condensed statement of profit or loss and other comprehensive income	6
Condensed statement of financial position	7
Condensed statement of changes in equity	8
Condensed statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	19
Independent auditor's report	20

Director's Report

The directors of Aurora Funds Management Limited (AFML) (ABN 69 092 626 885), in its capacity as the responsible entity of the Aurora Absolute Return Fund ("the Fund"), present their interim report together with the condensed financial statements of the Fund for the half-year ended 31 December 2019, and the auditor's report thereon.

The condensed financial report has been prepared for the Fund as it is a disclosing entity under the *Corporations Act 2001*.

Principal activities

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

The Fund did not have any employees during the year.

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

The Fund is currently listed on the Australian Security Exchange (ASX: ABW).

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

	31 December 2019	30 June 2019
Units on issue	8,134,136	8,130,778

Review and results of operations

During the half-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.

Financial results for the half-year

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

	31 December 2019 \$	31 December 2018 \$
Operating profit/(loss) before finance costs attributable to unitholders	(62,792)	(602,887)
Distributions paid and payable	-	28,424
Distribution (cents per unit) 30 September	-	0.19
Distribution (cents per unit) 31 December	-	0.16

The Fund distributes all its net income each year to unitholders. ABW pays its distributable taxable income on a semi-annual basis (in respect of the periods ended 30 June and 31 December each year) up to 1.0% of NAV per period (up to 2.0% per annum). It is at the discretion of the board whether a distribution will be paid. For the 6 months ended 31 December 2019 the directors elected not to pay a distribution.

Financial position

Net Tangible Assets (NTA) per unit as disclosed to the ASX are shown as follows:

	31 December 2019 \$	30 June 2019 \$
At reporting period	0.1915	0.2783
High during period	0.2228	0.3620
Low during period	0.1915	0.2635

Based on the audit reviewed financial statements of the fund for the half-year end 31 December 2019, the NTA at 31 December 2019 is \$0.1849 per unit. This is due to the revaluation decrement in relation to the Master fund's investment in Molopo Energy Limited.

Director's Report

Information on Underlying Performance

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

Strategy and Future Outlook

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

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

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

Significant changes in state of affairs

On 15 January 2019, a purported meeting of members of the Fund purported to pass a special resolution approving the amendment of the Fund Constitution. That meeting also purported to replace the responsible entity with another company, Primary Securities Limited ("Primary"). On 30 May 2019, the meeting and all resolutions passed at the meeting were declared to be invalid and of no effect by the Supreme Court of New South Wales.

On 21 August 2019, AFML, as the responsible entity of the Fund, modified the Fund Constitution in order to clarify that the Consolidated Constitution dated 1 July 2011 has at all times since 1 July 2011 been the Fund Constitution, and the purported replacement consolidated Constitution lodged with the Australian Securities and Investments Commission by Primary on 31 January 2019 has been at all times void and of no effect.

An Order has been issued by the Supreme Court of New South Wales requiring Primary Securities Limited (Primary) to pay the costs that Aurora has incurred in this matter, however the costs to be reimbursed by Primary to Aurora have not yet been paid. Any future recoveries from Primary will be booked to revenue when they are received.

The amount of unrecovered legal costs incurred by Aurora is \$336,650.69. This amount was included as a liability provision in the financial statements of the Fund for the year ended 30 June 2019, but was paid during the period. Aurora intends to vigorously pursue the recovery of these costs from Primary. Given the uncertainty surrounding the receipt of these costs, a receivable has not been included on the Balance Sheet, however a contingent asset has been disclosed in Note 11.

On 30 August 2019, Primary advised Aurora that it had filed a Notice of Appeal with the Supreme Court of NSW Court of Appeal on 29 August 2019. The appeal was heard on the 13 and 14 February 2020, however no judgement has been made as yet. Further costs have also been incurred which will be recognised in the financial statements for the year ending 30 June 2020.

The Fund solely invests into the Aurora Fortitude Absolute Return Fund (the "Master Fund" or "AFARF"). For the financial half-year ended 31 December 2019, AFARF has adopted significant judgements and estimates to fair value the following investments:

Molopo Energy Limited (ASX: MPO)

AFARF holds an investment in Molopo Energy Limited (ASX: MPO). For the half year ended 31 December 2019, AFARF 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 Note 3.

RNY Property Trust (ASX:RNY)

As at 31 December 2019, Aurora's total ownership is 80.96% of which AFARF owns 1.58% 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 working with the US lender of the underlying five (5) US commercial properties held by RNY, and the property sub-manager to attract new tenants and working with various stakeholders to improve the properties.

For the half year ended 31 December 2019, 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 Note 3.

Director's Report

Matters subsequent to the end of the financial year

On 3 February 2020, Molopo released its Quarterly Cash Flow Statement for the quarter ended 31 December 2019. Based on the information contained in this Quarterly Cash Flow Statement, Aurora has reassessed the carrying value of its investment in Molopo and has decided to write the value of its investment down from 0.9 cents to 0.5 cents.

The above activities have led to an impact on the Net Tangible Assets of the fund which has reduced the calculated price to 0.1849 which is lower than the price released to the ASX on 10 January 2020 of 0.1915.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect:

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

Indemnity and insurance of Aurora Funds Management Limited

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

Indemnity of auditors

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

Cost recovery and interests held in the Fund by the Responsible Entity or its associates

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

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 9 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 5 of the financial statements.

The values of the Fund's assets and liabilities are disclosed in the Statement of Financial Position and derived using the basis set out in Note 4 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.

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 half year.

Auditor's independence declaration

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

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

On behalf of the directors



John Patton

Managing Director
28 February 2020
Melbourne

Auditor's Independence Declaration

To the Directors of Aurora Funds Management Limited as the responsible entity of Aurora Absolute Return Fund

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Aurora Absolute Return Fund for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 28 February 2020

Financial Statement

Condensed Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2019

	Note	Half-year ended	
		31 December 2019	31 December 2018
		\$	\$
Investment income			
Interest income		1	19
Dividend and distribution income		-	28,618
Net gains/(losses) on financial instruments held at fair value through profit or loss		107,437	(526,685)
Total net investment income/(loss)		107,438	(498,048)
Expenses			
Other operating expenses	10	170,230	104,839
Total operating expenses		170,230	104,839
Operating profit/(loss) for the half-year		(62,792)	(602,887)
Finance costs attributable to unitholders			
Distributions to unitholders	6	-	(28,424)
Decrease in net assets attributable to unitholders	5	62,792	631,311
Profit/(loss) for the half-year		-	-
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		-	-
Earnings/(loss) per unit (basic/ diluted)		(0.008)	(0.074)

The above Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Financial Statement

Condensed statement of financial position As at 31 December 2019

		As at	
	Note	31 December 2019 \$	30 June 2019 \$
Assets			
Cash and cash equivalents	7	148	115
Dividends receivable		-	39,156
Receivables		6,379	1,972
Financial assets held at fair value through profit or loss	8	1,730,919	2,130,058
Total assets		1,737,446	2,171,301
Liabilities			
Distributions payable	6	-	34,448
Redemption payable		2,982	2,982
Provision for legal fees		-	336,651
Other payables		245,360	246,270
Total liabilities (excluding net assets attributable to unitholders)		248,342	620,351
Net assets attributable to unitholders – liability	5	1,489,104	1,550,950
Liabilities attributable to unitholders		(1,489,104)	(1,550,950)
Net assets		-	-

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

Financial Statement

Condensed statement of changes in equity For the half-year ended 31 December 2019

	Note	Half-year ended	
		31 December 2019 \$	31 December 2018 \$
Balance at the beginning of the financial year		-	-
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-
Transactions with unitholders in their capacity as unitholders		-	-
Total operating expenses		-	-
Total equity at the end of the period		-	-

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

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Financial Statement

Condensed statement of cash flows For the half-year ended 31 December 2019

	Note	Half-year ended	
		31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		500,197	-
Dividends and distributions received		39,156	39,155
Interest received		1	19
Other income		-	-
GST recovered/(paid)		(4,407)	(1,179)
Legal and professional fees paid		(85,514)	-
Payments of other expenses		(422,276)	172
Net cash inflow/(outflow) from operating activities		27,157	38,167
Cash flows from financing activities			
Proceeds from applications by unitholders		946	3,474
Payments for redemptions by unitholders		-	(1,355)
Distributions paid to unitholders		(34,448)	(39,768)
Net cash inflow/(outflow) from financing activities		(33,502)	(37,649)
Net (decrease)/increase in cash and cash equivalents		(6,345)	518
Cash and cash equivalents at the beginning of the period		115	74
Cash and cash equivalents at the end of the period	7	(6,230)	592
Non-cash financing activities		946	3,474

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements

Contents

1	General information
2	Significant accounting policies
3	Use of estimates and judgements
4	Fair value measurement
5	Net assets attributable to unitholders
6	Distribution to unitholders
7	Cash and cash equivalents
8	Financial assets held at fair value through profit or loss
9	Related party transactions
10	Other operating expenses
11	Contingent assets and liabilities
12	Events after the reporting period

Notes to Financial Statements

Note 1. General information

The condensed interim 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 Suite 613, Level 6, 370 St Kilda Road, Melbourne VIC 3004. The financial statements are presented in Australian currency.

It is recommended that these condensed financial statements are considered together with ASX announcements and in accordance with the provisions of the governing documents of the Fund, and any public announcements made by the Fund during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under Corporations Act 2001 and ASX listing rules.

The principal activities of the Fund during the half-year were managing its investment strategy in accordance with the provision of the Fund Constitution, the Product Disclosure Statement and any Fund Updates.

The interim financial report has been prepared on the basis of a going concern. The Fund has a closing cash position of \$148 and total creditors and other payables of \$248,342.

The Fund is fully invested in the unlisted Aurora Absolute Return Fund (ARSM 145 894 800) (the "Master Fund" or "AFARF"), which currently has liquidity restrictions in place. In addition, the Fund has the benefit of a Costs Order from the Supreme Court of New South Wales requiring Primary Securities Limited to reimburse the Fund for certain legal expenses paid in relation to the Court case in 2019. This has been disclosed as a contingent asset in Note 11.

The Fund's ability to continue as a going concern is dependent upon its ability to generate cash returns via dividends/distributions or unit redemptions (\$500,197 received during the period) from its investment in AFARF (\$4,420,901 unaudited net tangible assets at 31 December 2019). In addition, should it be required, the Fund as an open Fund could seek fresh capital, and will continue to pursue the collection of legal expenses from Primary Securities which total \$337,000.

The financial statements were authorised for issue by the directors of the Responsible Entity as at the date of the directors' report.

Note 2. Significant accounting policies

The principal accountings policies applied in the preparation of this condensed interim financial report are set out below.

These policies have been consistently applied to all years presented, unless otherwise stated.

(a) New and amended standards

The Trust 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.

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

(b) Basis of preparation

The accounting policies applied by the Trust in this condensed interim financial report are the same as those applied by the Fund in its Financial Report as at, and for, the year ended 30 June 2019.

Notes to Financial Statements

Note 2. Significant accounting policies (continued)

Statement of compliance

The condensed interim financial statements are a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the annual financial report as at, and for, the year ended 30 June 2019.

The condensed interim financial statements comply with IAS 34 Interim Financial Reporting.

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

Note 3. Use of estimates and judgements

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgement made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at, and for, the year ended 30 June 2019.

Key sources of estimation uncertainty

1. Molopo Energy Limited (ASX: MPO)

As at 31 December 2019, the Master Fund held an investment in the ordinary shares of MPO, which was suspended from trading on the Australian Stock Exchange on 27 July 2017 and remains suspended as at the date of this report.

As previously stated, Aurora considers that the actions of the former Molopo directors have substantially and adversely affected the value of Molopo's assets. As such, Aurora has considered the carrying value of its investment in Molopo and has decided to write the value of its investment down from 1.5 cents as at 30 June 2019 to 0.5 cents as at 31 December 2019. The rationale for December 2019. The rationale for this decision is summarised below:

- Molopo currently has 249,040,648 ordinary shares on issue;
- Based on the above, Aurora considers the appropriate carrying value of its investment in Molopo to be calculated as follows:
 - cash reserves of \$10.7 million; less
 - litigation provision of \$9.4 million;
 - divided by 249,040,648 ordinary shares on issue;
 - the total estimated value equates to a value of 0.5 cents per share
- As more information is released by Molopo on the Drawbridge shareholding as well as the Canadian litigation, it may be appropriate for Aurora to revisit the carrying value of its Molopo investment.

The fair value of Aurora's investment in Molopo is based on significant estimates and judgements adopted by the directors of Aurora based on all available information about Molopo as at the date of the 31 December 2019 interim financial report.

Aurora is pursuing other avenues to recover value that has been lost by the former directors of Molopo.

Notes to Financial Statements

2 RNY Property Trust (ASX: RNY)

The Directors have determined to carry the Fund's investment in RNY Property Trust (RNY) at \$0.044 (being 4.4 cents) per unit at 31 December 2019. In reaching this position, the Directors considered the following factors:

- RNY units are thinly traded on the ASX, and were suspended from trading on 1 April 2019 (due to the failure to lodge audited financial statements for the year, since lodged). Historically, RNY have traded at a discount to the underlying net asset position.
- On 27 September 2019, Huntley Management Limited ("Huntley"), as responsible entity for RNY Property Trust ("RNY"), announced that the independent valuation of RNY's five commercial office properties in the Tri-state area of New York ("Portfolio"), as conducted by CBRE Group, Inc ("CBRE"), resulted the overall valuation being increased from US\$68.8 million to US\$79.5 million. As a consequence of this uplift in the Portfolio's valuation, RNY's unaudited net asset position is circa 4.7 cents per RNY unit as at 30 June 2019.

Having regard to a range of factors, the Directors have determined a fair value of \$0.044 per unit in RNY.

Note 4. 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 Trust values its investments in accordance with the accounting policies set out in Note 2. For the majority of its investments, the Trust relies on information provided by independent pricing services for the valuation of its investments.

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

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

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

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

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

Notes to Financial Statements

Note 4. Fair value measurement (continued)

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

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.

Recognised fair value measurements

The Fund solely invests into the Aurora Fortitude Absolute Return Fund ("AFARF").

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
	\$	\$	\$	\$
31 December 2019				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	1,730,919	-	1,730,919
Total financial assets	-	1,730,919	-	1,730,919
30 June 2019				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	2,130,058	-	2,130,058
Total financial assets	-	2,130,058	-	2,130,058

Notes to Financial Statements

Note 4. Fair value measurement (continued)

Transfers between levels

There have been no transfers between levels for the half-year ended 31 December 2019 and the year ended 30 June 2019.

Note 5. Net assets attributable to unitholders

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

	31 December 2019 No.	30 June 2019 No.	31 December 2019 \$	30 June 2019 \$
Opening balance	8,130,778	8,113,656	1,550,950	2,891,029
Applications	-	-	-	-
Redemptions	-	-	-	-
Buy backs	-	-	-	-
Units issued upon reinvestment of distributions	3,358	17,122	946	5,592
Increase/(decrease) in net assets attributable to unitholders	-	-	(62,792)	(1,345,671)
Closing balance	8,134,136	8,130,778	1,489,104	1,550,950

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.

Note 6. Distribution to unitholders

The distributions for the year were as follows:

	31 December 2019 \$	Half-year ended 31 December 2019 CPU	31 December 2018 \$	31 December 2018 CPU
Distributions paid	-	-	15,427	0.19
Distributions payable (31 December 2018 quarter)	-	-	12,997	0.16
Other distributions payable from previous quarters	-	-	-	-
Total distributions	-	-	28,424	0.35

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. 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 7. Cash and Cash Equivalents

	As at 31 December 2019 \$	30 June 2019 \$
Cash at bank	148	115
Total cash and cash equivalents	148	115

Notes to Financial Statements

Note 8. Financial assets held at fair value through profit or loss

	31 December 2019 \$	As at 30 June 2019 \$
Designated at fair value through profit or loss		
Unlisted unit trusts	1,730,919	2,130,058
Total financial assets held at fair value through profit or loss	1,730,919	2,130,058

Note 9. Related party transactions

Responsible Entity

The Responsible Entity of Aurora Absolute Return Fund is Aurora Funds Management Limited. In the period to 31 December 2019, Aurora Funds Management Limited did not acquire or dispose of units in Aurora Absolute Return Fund.

Key management personnel unitholdings

As at 31 December 2019, Victor Siciliano, Executive Director, holds 93,535 (30 June 2019: 93,535) units in the Fund.

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.

Notes to Financial Statements

Note 9. Related party transactions (continued)

Related party unitholdings

The interests in the Fund held by the Responsible Entity are shown as follows:

31 December 2019	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed	Distributions paid/payable by the Trust
Aurora Funds Management Limited	1,068,990	1,068,990	\$195,732	13.14%	-	-	-

30 June 2019

Aurora Funds Management Limited	357,181	1,068,990	\$203,963	13.15%	711,809	-	\$4,350
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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.

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 Executive Chairman on 13 October 2016. On 21 January 2020, Mr Patton retired from his position as director and chairman of Keybridge.
- Mr Patton was appointed to the Board of Metgasco Limited as a Non-Executive Director on 19 September 2016.

Investments

The Fund holds 6,631,871 units (30 June 2019: 8,701,218 units) in the Master Fund, the fair value of which is \$1,746,172 (30 June 2019: \$2,130,058).

Notes to Financial Statements

Note 9. Related party transactions (continued)

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

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

	Half-year ended	
	31 December 2019 \$	31 December 2018 \$
Recoverable costs of Responsible Entity for the half-year paid/payable by the Trust to the Responsible Entity	33,886	33,886
Other expenses for the year paid/payable by the Fund to the Responsible Entity	136,343	70,952
Balance owing to to the Responsible Entity at the end of the reporting period	245,359	170,021

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

Note 10. Other operating expenses

	Half-year ended	
	31 December 2019 \$	31 December 2018 \$
Legal fees	85,514	-
Recoverable costs of Responsible Entity	33,886	33,886
Recovery expenses	50,829	70,952
Other operating expenses	1	1
Total other operating expenses	170,230	104,839

The Fund announced via a fund update that effective 8 July 2016, Aurora Funds Management Limited may begin charging all of its normal operating expenses to the Trust in accordance with the Constitution.

Note 11. Contingent assets and liabilities

The Fund is disclosing a contingent asset based on monies which it expects to receive from the Primary Settlement.

An order has been issued by the supreme court of New South Wales requiring Primary Securities Limited to pay the costs that Aurora incurred in this matter, however the costs to be reimbursed by Primary to Aurora have not yet been paid. The unrecovered legal costs amount to \$336,650.69.

On 30 August 2019, Primary advised Aurora that it had filed a Notice of Appeal with the Supreme Court of NSW Court of Appeal on 29 August 2019. The appeal was heard on the 13 and 14 February 2020, however no judgement has been made as yet. Further costs have also been incurred which will be recognised in the financial statements for the year ending 30 June 2020.

Given the uncertainty surrounding the receipt of these costs, a receivable has not been included on the Balance Sheet. However, expects to recoup these costs, and has recognised a contingent asset.

Note 12. Events after the reporting period

Other than the above, as mentioned in the Directors' Report, 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 Condensed Statement of Financial Position as at 31 December 2019 or on the results and cash flows of the Fund for the half-year ended on that date.

The most recent Net Asset Value (NAV) per unit disclosed to the ASX is 0.1899 cents per unit as at 31 January 2020.

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 when they become due and payable;
- (b) In the directors' opinion, the attached condensed financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the condensed financial statements;
- (c) In the directors' opinion, the attached condensed 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 financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; 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 Fund Management Limited.



John Patton
Managing Partner
28 February 2019

Independent Auditor's Review Report

To the Unitholders of Aurora Absolute Return Fund

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Aurora Absolute Return Fund (the Fund), which comprises the condensed statement of financial position as at 31 December 2019, and the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Aurora Absolute Return Fund does not give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Responsible Entity are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations*

Regulations 2001. As the auditor of Aurora Absolute Return Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 28 February 2020