

# **Aurora Absolute Return Fund**

ARSN 110 303 430

## **Interim financial Report For the half-year ended 31 December 2016**

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# 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 interim report together with the condensed financial statements of the Fund for the half-year ended 31 December 2016, 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"), in accordance with the provision of the Fund Constitution and current Product Disclosure Statement.

The Fund did not have any employees during the half-year.

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

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

## Directors

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

Jim Hallam  
John Patton  
Betty Poon

## Units on Issue

Units on Issue in the fund at the end of the half-year are set out below:

	31 December 2016	30 June 2016
Units on issue	9,868,621	16,782,332

## Review and results of operations

During the half-year, the Fund continued to invest in accordance with the governing documents of the Fund and in accordance with the provisions of the Fund Constitution.

The investment policy of the Fund continues to be that detailed in the current Product Disclosure Statement and in accordance with the provisions of the governing documents of the Fund.

## Financial position

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

	31 December 2016 \$	30 June 2016 \$
At reporting period	0.834	0.932
High during period	0.853	0.980
Low during period	0.834	0.932

# Directors' Report (continued)

## Financial results for the half-year

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

	Half-year ended	
	31 December 2016 \$	31 December 2015 \$
Operating profit before finance costs attributable to unitholders	(60,184)	164,249
Distributions paid and payable	203,915	443,877
<i>Distributions</i>		
Distribution – (cents per units) - 30 September	0.85	1.45
Distribution – (cents per units) - 31 December	0.84	0.98

The Fund distributes all its net income each year to Unit holders. The Fund distributes 1% of the Net Asset Value ('NAV') per unit each quarter. Should the Fund not generate sufficient net income to cover the distribution in any financial year, then part or all of any distribution may be a return of capital.

## Information on underlying performance

The performance of the Fund is available through the recent performance reports available on the Responsible Entity's website. Consistent with the statements in the governing documents of the Fund, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

## Strategy and future outlook

The Fund invests in the Master Fund. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Fund provides regular updates, including monthly NTA announcements, which can be found in the announcement section of the Australian Securities Exchange website.

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

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

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

## Significant changes in state of affairs

### Antares Energy Limited Convertible Notes

The Fund solely invests into the Aurora Fortitude Absolute Return Fund ("AFARF"). For the half-year ended 31 December 2016, AFARF has adopted significant judgements and estimates to fair value one of its underlying investments in the convertible notes of Antares Energy Limited (ASX: AZZG).

The key sources of estimation uncertainty and fair value measurement in relations to AZZG are outlined in Notes 4 and 5 of AFARF's Financial Report for the year ended 30 June 2016.

On 19 August 2016, the Responsible Entity made an ASX Announcement advising that it expected to recognize a non-cash impairment charge against the carrying value of the Antares Energy Limited Convertible Notes held by the Fund as at 30 June 2016.

On 31 August 2016, the Responsible Entity announced an update to the valuation of Antares Energy Limited Convertible Notes, writing the investment down to nil and the resumption of off-market redemptions.

# Directors' Report (continued)

## Significant changes in state of affairs (continued)

### Antares Energy Limited Convertible Notes (continued)

On 30 November 2016, the Responsible Entity announced a fund update as a result of an update from the Administrators of Antares, FTI Consulting along with a copy of the Circular to Creditors. Based on this update, there has been no change to the carrying value of this investment.

For the purposes of the December 2016 half-year financial statements, and after careful consideration of all of the available information, Aurora has formed the view that the AZZG Notes should continue to be recognised at a nil value.

### General Meeting of Unitholders

On 31 August 2016, the Responsible Entity received by email, a request from Michael Rigoni; R Stewart Pty Ltd <R Stewart Superfund A/C>; and Mr Andrew Wallis and Mrs Jane Wallis <Rolvenden Super Fund A/C>, together being the registered holders of more than 5% of the voting units in ABW (requisitioning members), to convene a meeting under section 252B of the Corporations Act. The cost associated with this general meeting was \$53,790 which was paid from the Fund.

The general meeting was convened to consider resolutions to replace the responsible entity with Millinium Managers Limited and to wind up the Fund.

On 31 October 2016, the Responsible Entity announced the results of the general meeting of unitholders. As the resolutions were not carried, Aurora continues to act as the Responsible Entity.

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 half-year.

### Liquidity Management

On 20 February 2017, the Responsible Entity announced via a fund update the following redemption guidelines in the Aurora Fortitude Absolute Return Fund:

- Redemption requests will be considered and processed on a quarterly basis with the next redemption date scheduled for 31 March 2017.
- As a general principle, the Fund will provide unitholder access to liquidity, in the form of redemptions, of up to 5% of the total funds under management ("FUM") in any given quarter. The Responsible Entity has reviewed Fund inflows / outflows and market peers and believes that a 5% benchmark is adequate for a Fund of this size.
- If aggregate redemptions exceed 5% of the total Fund FUM in the relevant quarter, then redemption requests will be deemed to be for a proportionately scaled back amount according to the redemption price as at the date the redemption request is received by the Responsible Entity.
- Any unsatisfied portion of a redemption request will be carried over to the next redemption quarter. Unitholders will not be required to lodge a new redemption request form as the Responsible Entity will maintain a record of all redemption requests received in the prior quarter.

## Matters subsequent to the end of the half-year

Other than the changes mentioned above, no matter or circumstance has arisen since 31 December 2016 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 Aurora Funds Management Limited**

No insurance premiums are 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.

## **Fees paid and interests held in the Fund by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of Fund property during the half-year are disclosed in the Condensed Statement of Profit or Loss and Other Comprehensive Income as "Withdrawal fees".

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

## **Interests in the Fund**

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

The values of the Fund's assets and liabilities are disclosed on the Condensed Statement of Financial Position and derived using the basis set out in Note 2 of the half year report.

## **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 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 half-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 of this financial report.

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



John Patton  
Managing Director  
23 February 2017

The Board of Directors  
Aurora Funds Management Limited  
Level 6, 370 St Kilda Road  
Melbourne, VIC 3004

23 February 2017

Dear the Board of Directors,

### **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.

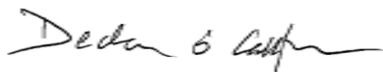
As lead audit partner for the review of the financial statements of Aurora Absolute Return Fund for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants

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# Financial Statements

## Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2016

	Notes	Half-year ended	
		31 December 2016 \$	31 December 2015 \$
<b>Investment income</b>			
Interest income		940	2,466
Dividends and distribution income		202,407	353,661
Net gains/(losses) on financial instruments held at fair value through profit or loss		(145,276)	(189,599)
<b>Total net investment income</b>		<b>58,071</b>	<b>166,528</b>
<b>Expenses</b>			
Other operating expenses	9,11	38,810	2,279
Withdrawal fees	9	25,655	-
Unitholder meeting costs	12	53,790	-
<b>Total operating expenses</b>		<b>118,255</b>	<b>2,279</b>
<b>Operating profit/(loss)</b>		<b>(60,184)</b>	<b>164,249</b>
<b>Finance costs attributable to unitholder</b>			
Distribution to unitholders	6	(203,915)	(443,877)
(Increase)/decrease in net assets attributable to unitholders	5	264,099	279,628
<b>Profit/ (loss) for the half-year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

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

# Financial Statements

## Condensed Statement of Financial Position

as at 31 December 2016

		As at	
	Notes	31 December 2016 \$	30 June 2016 \$
<b>Assets</b>			
Cash and cash equivalents	7	172,246	84,463
Receivables		85,955	156,996
Applications paid in advance		233,803	-
Due from brokers – receipts for securities sold		3,416,928	-
Financial assets held at fair value through profit or loss	8	8,136,019	14,185,630
<b>Total assets</b>		<b>12,044,951</b>	<b>14,427,089</b>
<b>Liabilities</b>			
Distributions payable	6	93,520	170,705
Redemptions payable	10	3,716,930	-
Other payables		2,820	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>3,813,270</b>	<b>170,705</b>
<b>Net assets attributable to unitholders</b>	5	<b>8,231,681</b>	<b>14,256,384</b>
<b>Liabilities attributable to unitholders</b>		<b>(8,231,681)</b>	<b>(14,256,384)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>

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

# Financial Statements

## Condensed Statement of Changes in Equity for the half-year ended 31 December 2016

	Notes	Half-year ended	
		31 December 2016 \$	31 December 2015 \$
<b>Balance at the beginning of the period</b>			
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
<b>Total comprehensive income</b>		-	-
Transactions with unitholders in their capacity as unitholders		-	-
<b>Total equity at the end of the period</b>		-	-

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 half-year.

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

# Financial Statements

## Condensed Statement of Cash Flows

for the half-year ended 31 December 2016

	Notes	Half-year ended	
		31 December 2016 \$	31 December 2015 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		3,208,788	4,394,352
Purchase of financial instruments held at fair value through profit or loss		(721,380)	(391,899)
Applications paid in advance		(233,803)	-
Dividends and distributions received		278,271	391,899
Interest received		1,011	2,883
GST recovered/(paid)		(4,894)	239
Legal and professional fees paid		(89,247)	-
Payments of other expenses		(533)	(6,687)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,438,213</b>	<b>4,390,787</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		2,190,000	400
Payments for redemptions by unitholders		(2,879,253)	(3,886,539)
Payments for withdrawal fees		(23,341)	-
Payments for share buy backs		(1,374,827)	(761,752)
Distributions paid to unitholders		(263,009)	(427,812)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(2,350,430)</b>	<b>(5,075,703)</b>
Net increase/(decrease) in cash and cash equivalents		87,783	(684,916)
Cash and cash equivalents at the beginning of the period		84,463	922,772
<b>Cash and cash equivalents at the end of the period</b>	7	<b>172,246</b>	<b>237,856</b>
<b>Non-cash financing activities</b>		<b>18,092</b>	<b>55,590</b>

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

# Notes to the Financial Statements

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# Notes to the Financial Statements

## 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, 370 St Kilda Road, Melbourne, Vic 3004. The condensed interim financial statements are presented in the Australian currency.

It is recommended that these condensed interim 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 half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

## 2. Summary of significant accounting policies

The principal accounting 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.

### Basis of preparation

The accounting policies applied by the Fund 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 2016.

### 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 2016.

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.

## 3. Use of estimates and judgements

In preparing these interim financial statements, management has make 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 judgments 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 2016.

### Key source of estimation uncertainty

The Fund solely invests into the Aurora Fortitude Absolute Return Fund (“AFARF”). For the half-year ended 31 December 2016, AFARF has adopted significant judgements and estimates to fair value one of its underlying investments in the convertible notes of Antares Energy Limited (ASX: AZZG).

The key sources of estimation uncertainty and fair value measurement in relations to AZZG are outlined in Notes 4 and 5 of AFARF’s Financial Report for the year ended 30 June 2016.

# Notes to the Financial Statements

## 3. Use of estimates and judgements (continued)

On 19 August 2016, the Responsible Entity made an ASX Announcement advising that it expected to recognize a non-cash impairment charge against the carrying value of the Antares Energy Limited Convertible Notes held by the Trust as at 30 June 2016.

On 31 August 2016, the Responsible Entity announced an update to the valuation of Antares Energy Limited Convertible Notes, writing the investments down to nil and the resumption of off-market redemptions.

On 30 November 2016, the Responsible Entity announced a fund update as a result of an update from the Administrators of Antares, FTI Consulting along with a copy of the Circular to Creditors. Based on this update there has been no change to the carrying value of this investment.

For the purposes of the December 2016 half-year financial statements, and after careful consideration of all of the available information, Aurora has formed the view that the AZZG Notes should continue to be recognised at a nil value.

## 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:

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

### (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 ask 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 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.

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

# Notes to the Financial Statements

## 4. Fair value measurement (continued)

### Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised as at the half-year ended 31 December 2016 and the year ended 30 June 2016.

31 December 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	8,136,019	-	8,136,019
<b>Total financial assets</b>	<b>-</b>	<b>8,136,019</b>	<b>-</b>	<b>8,136,019</b>

30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	14,185,630	-	14,185,630
<b>Total financial assets</b>	<b>-</b>	<b>14,185,630</b>	<b>-</b>	<b>14,185,630</b>

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 Funds.

### Transfers between levels

There have been no transfers between levels for the half-year ended 31 December 2016 and the year ended 30 June 2016.

## 5. Net assets attributable to unitholders

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

	31 December 2016 No.	30 June 2016 No.	31 December 2016 \$	30 June 2016 \$
<b>Opening balance</b>	<b>16,782,332</b>	21,443,405	<b>14,256,384</b>	20,736,201
Applications	2,591,065	411	2,190,000	400
Redemptions	(7,848,182)	(3,752,520)	(6,593,869)	(3,664,597)
Buy backs	(1,678,233)	(989,252)	(1,374,827)	(948,736)
Units issued upon reinvestment of distributions	21,639	80,288	18,092	77,777
Increase/(decrease) in net assets attributable to unitholders	-	-	(264,099)	(1,944,661)
<b>Closing balance</b>	<b>9,868,621</b>	16,782,332	<b>8,231,681</b>	14,256,384

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.

# Notes to the Financial Statements

## 6. Distributions to unitholders

The distributions declared for the half-year were as follows:

	Half-year ended			
	31 December 2016 \$	31 December 2016 cpu	31 December 2015 \$	31 December 2015 cpu
Distributions paid	110,395	0.85	263,860	1.45
Distributions payable	82,896	0.84	167,983	0.98
Other distributions payable from previous quarters	10,624		12,034	
<b>Total distributions</b>	<b>203,915</b>	<b>-</b>	<b>443,877</b>	

The Fund distributes all its net income each year to Unit holders. The Fund distributes 1% of the Net Asset Value ('NAV') per unit each quarter. Should the Fund not generate sufficient net income to cover the distribution in any financial year, then part or all of any distribution may be a return of capital.

## 7. Cash and cash equivalents

	As at	
	31 December 2016 \$	30 June 2016 \$
Cash at bank	172,246	84,463
<b>Total cash and cash equivalents</b>	<b>172,246</b>	<b>84,463</b>

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

	As at	
	31 December 2016 \$	30 June 2016 \$
<b>Designated at fair value through profit or loss</b>		
<b>Equity securities</b>		
Unlisted unit trusts	8,136,019	14,185,630
<b>Total financial assets held at fair value through profit or loss</b>	<b>8,136,019</b>	<b>14,185,630</b>

## 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 2016, Aurora Funds Management Limited acquired units in Aurora Absolute Return Fund, as set out below.

### Key management personnel unitholdings

No key management personnel of Aurora Absolute Return Fund held 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 the Financial Statements

## 9. Related party transactions (continued)

### Related party unitholdings

The Trust purchased and sold units in itself as part of its Treasury Unit trading activities. Details of the Trust's investments in itself and other investment schemes which are managed by the Responsible Entity are set out below:

31 December 2016	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 Fund
Aurora Fortitude Absolute Return Fund	19,030,897	11,062,661	8,136,019	48.0%	975,096	8,943,332	202,407

### 30 June 2016

Aurora Fortitude Absolute Return Fund	23,935,583	19,030,897	14,186,000	23.44%	660,604	5,565,290	671,978
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The interests in the Fund held by the Responsible Entity are shown as follows:

31 December 2016	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 Fund
Aurora Funds Management Limited	-	357,181	\$297,889	3.62%	651,195	294,014	\$3,000

### 30 June 2016

Aurora Funds Management Limited	-	-	-	-	-	-	-
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### Other related party information

On 30 June 2016, Seventh Orion Pty Ltd as trustee for the Aurora Investments Unit Trust (Seventh Orion) acquired 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity of Aurora Absolute Return Fund, from Keybridge Capital Limited.

Seventh Orion Pty Ltd is 50% owned by John Patton, the Managing Director of Aurora Funds Management Limited.

John Patton was appointed to the Board of Keybridge Capital Limited as a Non-executive director on 10 August 2016 and was subsequently appointed to the role of Chairman on 13 October 2016.

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

Under the terms of the Fund Updates released on 31 August 2016 and 7 November 2016, the Responsible Entity is entitled to receive withdrawal fees, calculated by reference to the redemption proceeds at 1.85%. The withdrawal fee was removed effective January 2017 and the Fund reverted to liquidity requirements contained in its Constitution, which is consistent with the Corporations Act.

# Notes to the Financial Statements

## 9. Related party transactions (continued)

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 2016 \$	31 December 2015 \$
Withdrawal fees for the half-year paid/payable to the Responsible Entity	25,655	-
Other expenses for the half-year paid/payable to the Responsible Entity	38,810	-

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

## 10. Redemptions payable

	As at	
	31 December 2016 \$	31 December 2015 \$
Redemptions payable	3,716,930	-
<b>Total Redemptions payable</b>	<b>3,716,930</b>	<b>-</b>

The Fund received redemption requests totaling \$3,716,930 in December 2016. This redemption proceeds were subsequently paid in January 2017.

## 11. Other operating expenses

	As at	
	31 December 2016 \$	31 December 2015 \$
Other operating expenses	38,810	-
<b>Total other operating expenses</b>	<b>38,810</b>	<b>-</b>

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

## 12. Unitholder meeting costs

	As at	
	31 December 2016 \$	31 December 2015 \$
Unitholder meeting costs	53,790	-
<b>Total unitholder meeting costs</b>	<b>53,790</b>	<b>-</b>

The Fund incurred certain costs in respect of the general meeting called by Michael Rigoni; R Stewart Pty Ltd <R Stewart Superfund A/C>; and Mr Andrew Wallis and Mrs Jane Wallis <Rolvenden Super Fund A/C>, together being the registered holders of more than 5% of the voting units in ABW (requisitioning members), including legal fees, registry costs, printing, postage, room hire and independent chairman costs.

## 13. Contingent assets and liabilities

There were no contingent assets and liabilities at 31 December 2016 (30 June 2016: Nil).

## 14. Events occurring after the reporting period

Other than the events 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 2016 or on the results and cash flows of the Fund for the half-year ended on that date.

# Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached 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 the financial position as at 31 December 2016 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 Funds Management Limited.



John Patton  
Managing Director  
23 February 2017

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

We have reviewed the accompanying half-year financial report of Aurora Absolute Return Fund, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the entity comprising the company and the entities it controlled at the end of the half-year as set out on pages 7 to 17.

### **The Directors' Responsibility for the Financial Report**

The directors of the entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting 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, it also states, 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 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 entity's financial position as at 31 December 2016 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.

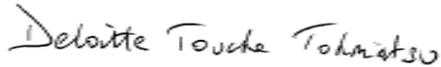
### **Auditor's Independence Declaration**

In conducting our review, 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 Aurora Absolute Return Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

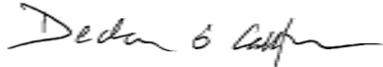
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Aurora Absolute Return Fund is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 23 February 2017