

For personal use only

Aurora Funds Limited
ABN 39 143 194 165
and Controlled Entities

Audited Financial REPORT

For the year ended 30 June 2012

Contents	Page
Corporate directory	2
Directors' report	3
Auditor's independence declaration	11
Corporate governance statement	12
Financial report	16
Independent auditor's report to the shareholders	48
Shareholder information	49

For personal use only

Corporate Directory

Directors	John Corr B Comm Alastair Davidson B.Sc Economics (Hons) CA Richard Matthews B.Sc B.A. B.Ec MPA, Grad Dip App Fin Simon Lindsay B. BUS Ian Steuart Roe BSc MAppFin
Company Secretary	Richard Matthews B.Sc B.A. B.Ec MPA, Grad Dip App Fin
Principal Registered Office in Australia	Level 2, 350 George Street Sydney, NSW 2000 (02) 9080 2377
Share register	Boardroom Limited Level 7, 207 Kent Street Sydney, NSW, Australia 2000
Auditor	PwC Darling Park Tower 2 201 Sussex Street Sydney NSW 1171
Solicitors	Baker & McKenzie Level 27, AMP Centre 50 Bridge Street Sydney NSW 2000
Stock exchange listings	Aurora Funds Limited shares are listed on the Australian Securities Exchange (ASX)
Website address	www.aurorafunds.com.au

Directors' report

Your Directors of Aurora Funds Limited present their report on the consolidated entity ("the Group") consisting of Aurora Funds Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Directors

The following persons were directors of the Group during the whole or part of the financial year and up to the date of this report:

Alastair Davidson
Richard Matthews
Simon Lindsay
John Corr
Steuart Roe

Principal activities

The Group acts as a fund manager and issuer of retail and wholesale funds in the Australian market.

Results

The Group incurred an operating loss of \$1,011,364 (2011:\$4,379,560) for an after income tax benefit of nil (2011: \$280,157) for the period ended 30 June 2012. The Group has not declared any dividends for the period ended 30 June 2012. The Directors do not recommend the payment of a dividend.

The improvement in the operating loss is a result of strategic changes made by the board to address operational costs in volatile financial markets.

Review of operations

During the period the Group continued to develop its distribution channels for its ASX listed and unlisted managed investment schemes, and sought additional wholesale investment management mandates.

The Board of Directors have been successful in reducing the overhead costs of the business, expanding its existing client base and achieving an improved financial position over the last financial year.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2012 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years

Likely developments and expected results of operations

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under the law of the Commonwealth or State.

Directors' report (continued)

Information on Directors

Directors

The following persons were directors during the year and were directors of the Group during the whole or part of the period and up to the date of this report, and each director held one share in the Group:

John Corr B Comm, *Executive Director, Chief Investment Officer, Age 49*

Experience and Expertise

John is the Managing Director and founder of Fortitude Capital Pty Ltd. John has over 25 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.

Other Directorships

None

Interests in shares

908,220 shares in Aurora Funds Limited.

Alastair Davidson B.Sc Economics (Hons) CA, *Executive Director, Head of Institutional Business, Age 54*

Experience and Expertise

Alastair is a founding director of Aurora Funds Management Limited. He has over 28 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.

Other Directorships

Alastair is also a director of the ASX-listed company, Biotech Capital Limited.

Interests in shares

650,001 shares in Aurora Funds Limited

Simon Lindsay B. BUS, *Executive Director, Head of Distribution, Age 41*

Experience and Expertise

Simon is a founding director of Aurora Funds Management Limited and is responsible for the Australian and New Zealand distribution of Aurora Funds Management Limited's products. He brings to the Group over 18 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.

Other Directorships

None

Interests in shares

650,001 shares in Aurora Funds Limited

Directors' report (continued)

Richard Matthews B.Sc B.A. B.Ec MPA, Grad Dip App Fin, *Executive Director, Chief Operating Officer and Company Secretary, Age 43*

Experience and Expertise

Richard is a founding director of Aurora Funds Management Limited. He has over 18 years experience in investment analysis, investment banking, and funds management. He is responsible for product establishment and administration, business administration, and compliance. Richard was formerly Senior Manager of Investment Banking (Equity Capital Markets) at Challenger International Limited, and an Associate Director of Challenger Beston Limited. He has significant experience in establishing and administering listed and unlisted investment schemes, equity capital market issues, equity swaps, and other specialised corporate structured products.

Other Directorships

None

Interests in shares

650,001 shares in Aurora Funds Limited

Ian Steuart Roe BSc MAppFin, *Chairman and Managing Director, Age 45*

Experience and Expertise

Steuart is Chairman and Managing Director of Aurora Funds Limited. Prior to founding Sandringham Capital Pty Limited in 2005, 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.

Other Directorships

None

Interests in shares

2,371,956 shares in Aurora Funds Limited

Company Secretary

Richard Matthews B.Sc B.A. B.Ec MPA Grad Dip Applied Finance was appointed to the position of Company Secretary on 19 April 2010.

Directors' report (continued)

Meetings of Directors

The numbers of meetings of the Group's board of directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

Meetings of Directors Director	Full meetings of Directors	
	No of meetings held	No of meetings attended
John Corr	40	37
Alastair Davidson	40	29
Simon Lindsay	40	25
Richard Matthews	40	39
Steuart Roe	40	40

Remuneration report

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the parent company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in the parent and the Group receiving the highest remuneration.

The Board is responsible for the review of the performance of the Board and senior management. The review of the managing director is carried out, and approved by, the Board. The performance of senior management (that is, those who report directly to the Managing Director) is reviewed at the end of each financial year by the Executive Directors.

At the review:

(a) performance objectives and development plans are set (having regard to both the corporate goals set by the Board and individual performance goals) for the forthcoming financial year; and

(b) individual performance is assessed against last year's performance objectives and the amount of "at risk" remuneration to be paid and securities to be granted under the Group's incentive plan is determined by reference to that individual's performance.

All contracts with executives may be terminated early by either party with three months notice with the final termination payment inclusive of all accrued leave entitlements.

Details of key management personnel

Apart from five Directors disclosed above, there are no other key management personnel.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and the five highest paid executives of Aurora Funds Limited and the Group are set out in the following table:

Directors' report (continued)

Remuneration report (continued)

Key management personnel of the Group and other executives (30 June 2012)

Name	Short-term employee benefits		Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Non-monetary benefits	Super-annuation	Deferred shares *	
<i>Executive directors</i>					
John Corr	208,649	-	14,052	500,000	722,701
Alastair Davidson	137,573	-	29,927	-	167,500
Simon Lindsay	179,191	-	13,884	-	193,075
Richard Matthews	172,388	-	15,112	-	187,500
Ian Steuart Roe	234,224	-	15,776	-	250,000
Total key management personnel compensation	932,025	-	88,751	500,000	1,520,776

- The Group has agreed to issue an additional 750,000 shares to John Corr, or his associates, on the third anniversary of the acquisition date of Fortitude Capital Pty Ltd, subject to John Corr not resigning before that date. The cost of these shares will be expensed each year on a straight line basis.

Key management personnel of the Group and other executives (30 June 2011)

The below table provides the Remuneration details of the key management personnel and executives of Aurora Funds Limited

Name	Short-term employee benefits		Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Non-monetary benefits	Super-annuation	Deferred shares *	
<i>Executive directors</i>					
John Corr	229,654	-	14,867	500,000	744,521
Alastair Davidson	191,818	-	28,250	-	220,068
Simon Lindsay	203,480	-	14,867	-	218,347
Richard Matthews	180,750	-	14,867	-	195,617
Ian Steuart Roe	225,381	-	14,867	-	240,248
Total key management personnel compensation	1,031,083	-	87,718	500,000	1,618,801

Options and unissued shares

The Company is required to issue an additional 750,000 ordinary shares to John Corr, or his associates, on 5 May 2013, if Mr. Corr has not breached his employment contract with the Group by that date. There are no other performance criteria attached to the issue of these shares.

No options over unissued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' report (continued)

Remuneration report (continued)

Service agreements

Remuneration and other terms of employment for the Managing Director, Chief Operating Officer and the other key management personnel are also formalised in service agreements.

All contracts with executives may be terminated early by either party with three months notice.

Loans to directors and executives

There are no loans to directors or executives

Insurance of officers

During the financial year the Group paid premiums in respect of a contract insuring the directors of the Group and all executive officers of the Group against any liability incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Group, other than conduct involving a willful breach of duty in relation to the Group. The contract of insurance prohibits disclosure of the amount of the premium.

Indemnity of Auditors

The company has agreed to indemnify the auditors under certain circumstances as permitted in the Corporations Act 2001.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (PwC) for non-audit services provided during the year are set out below.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2012 \$	2011 \$
(a) PwC Australia		
<i>(i) Other services</i>		
Tax compliance review on tax returns	<u>27,382</u>	<u>6,700</u>
Total remuneration for audit and other assurance services of PwC Australia	<u>27,382</u>	<u>6,700</u>
(b) Non-PwC Audit firms		
<i>(i) Other services</i>		
Tax compliance review on tax returns	<u>800</u>	<u>8,220</u>
Total remuneration of non-PwC audit firms	<u>800</u>	<u>8,220</u>
Total non-audit remuneration	<u>28,182</u>	<u>14,920</u>

For personal use only

Directors' report (continued)

Non-audit services (continued)

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is provided on page 11 with the audited financials.

Auditor

PwC continues in office in accordance with section 327 of the Corporations Act 2001.

Directors' report (continued)

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



Steuart Roe
Managing Director
20 September 2012



Richard Matthews
Director
20 September 2012

For personal use only



Auditor's Independence Declaration

As lead auditor for the audit of Aurora Funds Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Aurora Funds Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Joseph Sheeran', written over a light grey horizontal line.

Joseph Sheeran
Partner
PricewaterhouseCoopers

20 September 2012
Sydney

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

For personal use only

Corporate Governance Statement

The directors and management of AURORA Funds Limited and its controlled entities ("the Group") are committed to maintaining best practice in corporate governance. This statement of principles outlines the approach taken by the Board in managing the business affairs of the Group (and its controlled entities) and in fulfilling its duties to meet the interests of the Group as a whole.

A description of the group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations.

Corporate Structure

Aurora Funds Limited (Aurora) is a Group limited by shares, incorporated and domiciled in Australia. Aurora Funds Limited (the Group) is the parent entity of Aurora Funds Management Limited, Fortitude Capital Pty Ltd. and Sandringham Capital Pty Ltd. As at 30 June 2012 only Aurora Funds Management Limited and Fortitude Capital Pty Ltd act as Fund Managers and/or Responsible Entities for the managed funds (the Trust). During the year, Sandringham Capital Pty Ltd applied to ASIC to be deregistered.

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

- Acting honestly
- Exercising a duty of care and diligence
- Act in the best interest of unit holders
- Treat unit holders equally where they hold the same class
- Treat unit holders fairly where they hold different classes
- Make sure the Trust property is valued at regular intervals
- Ensure that all payments from the Trust are in accordance with the Constitution
- Report any breaches that may have a material adverse impact on the interests of unit holders
- 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.

Principle 1: Lay solid foundations for management and oversight

The Board is elected by the Shareholders to represent all Shareholders. It is a director's responsibility, in all decisions he or she is called upon to make concerning the Group's affairs, to conscientiously weigh the interests of Shareholders in light of the circumstances and to consider the effects of such decisions on the interests of all Shareholders.

The Board is to exercise effective control over management to optimise the Group's performance in the interests of the Group as a whole. The manner in which the Board operates is set out in the Board charter of the Group which is found on its website.

In general terms the Board charter covers the following:

- a) duties and responsibilities of the Board;
- b) powers of the Board;
- c) delegation to senior management;
- d) number and independence of directors;
- e) term of office of non-executive and executive directors;
- f) terms of appointment;
- g) responsibilities of the chair;
- h) Board proceedings;
- i) Board committees and delegation;
- j) evaluation of Board performance;
- k) directors' indemnity and insurance;
- l) Independent advice and access to information;
- m) related party transactions;
- n) disclosures of interests.

Corporate Governance Statement (continued)

Principle 2: Structure the board with effective composition, size, and commitment

Board composition

The Board has five executive directors. The managing director and chairman is Mr Stuart Roe. The other executive directors are Mr John Corr, Mr Alastair Davidson, Mr Simon Lindsay, and Mr Richard Matthews.

Directors' independence

Directors are expected to bring separate views and professional judgment to the Board's deliberations.

The Board has reviewed the position and associations of each of the directors in office and has determined that none of the directors are independent of the Group. The Board will assess the independence of any new directors upon appointment and will regularly review each directors' independence, as appropriate. The Board's structure is not consistent with ASX Principle 2.

Whilst the Board has considered ASX Recommendation 2.1 (independent majority of directors), 2.2 (independent chair), and 2.3 (role of chair and managing director not to be performed by the same person), it considers that these recommendations are better suited to the Group with a necessarily large board. Given the size and cohesion of the Board, and the fact that the directors also make up the Group's senior management, the requirement of having an independent chair to liaise between Board members will add no positive value.

Given the size and scope of the Group's operations, the Board considers that it has the relevant experience in the industry in which it operates and is appropriately structured to discharge its duties in a manner that is in the best interest of the Group and its Shareholders from both a long term strategic and operations perspective.

Board members

Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading 'Information on directors'.

Commitment

The Board meets formally at least six times a year and more frequently as required. On the invitation of the Board or request of senior management, members of senior management attend and make presentations at Board meetings. In addition, the Board holds strategic planning sessions with management at which the Group's strategic plans are reviewed and agreed.

The number of meetings of the Group's board of directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director is disclosed on page 6.

Board committees

It is the role of the Board of directors to monitor the management of the Group and the Board may establish appropriate committees to assist in this role. At the date of this statement, no committees have been established.

In the event that any committee is established by the Board, the Board may adopt a committee charter in respect of the committee, addressing the composition, responsibilities, administration and any other matters the Board determines relevant to such committee.

The Compliance Committee

The Compliance Committee for the RE comprises:

- Mr Richard Matthews (internal member)
- Mr David Lewis (external)
- Mr Mark Hancock (external)

Mr David Lewis is a qualified actuary and has over 41 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 29 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 19 years. He was previously an equity portfolio manager with NRMA and MMI Insurance.

Corporate Governance Statement (continued)

The Compliance Committee (continued)

The external members of the Compliance Committee are nominated and remunerated by the Aurora Funds Management Limited (RE). 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 of the Group;
- the auditors of the RE;
- the auditors of the Trusts issued by the RE; and
- the auditor of the Compliance Plan.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Group has adopted a code of conduct for all employees (including directors) of the Group. The code of conduct is aimed at establishing the values of the Group and maintaining the highest ethical standards, corporate behavior and accountability within the Group and its controlled entities. Both the statement of corporate governance principles and the code of conduct are consistent with ASX Principle 3.

The behaviour of all directors and employees of the Group will meet the highest standards at all times. The minimum standards to be achieved are set out in a code of conduct which has been adopted by the Board and all employees. The code of conduct can be found on the Group's website.

The Board will review this statement at least every three years and make any changes it determines necessary or desirable.

Diversity

Whilst the Board has considered ASX Guidance Note 9 related to gender diversity it considers that these recommendations are better suited to a group with a necessarily large board. Given the size of the Board, and the fact that the directors also make up the founding executives of the various Group companies, the recommendation of establishing gender diversity on the Board is not practicable. Nevertheless, the Board considers that the company is an equal opportunity employer, and ensures that gender or cultural diversity is not a barrier to employment with the company as opportunities may arise. Approximately 15% of company employees are women, one of which holds the role of senior portfolio manager.

Principle 4: Safeguard integrity in financial reporting

External auditors

Appointment of auditors

The Group's current external auditors are PriceWaterhouseCoopers. The effectiveness, performance and independence of the external auditors are reviewed by the Board. If it becomes necessary to replace the external auditors for performance or independence reasons, the Board will then formalise a procedure for the selection and appointment of new auditors.

Independence declaration

External auditors are required to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with relevant accounting standards and the rules of the professional accounting bodies.

Audit committee

As at the date of this statement no board committees have been established. Given the size and scope of the Group's operations, the Board considers that an audit committee will add no positive value.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

The Board has adopted a continuous disclosure and Shareholder reporting policy (that is consistent with ASX Principle 5) to ensure compliance with the ASX Listing Rules continuous disclosure requirements.

This policy:

- (a) gives guidance as to the information that may need to be disclosed, and
- (b) gives guidance for dealing with market analysts and the media;
- (c) establishes regular reminders to directors and senior management to actively consider whether there is any price sensitive information which needs disclosure; and
- (d) allocates responsibility for approving public disclosures and Shareholder communications.

The Board has approved the Group's policy to promote effective and transparent communication with its Shareholders. In addition the Group communicates with its Shareholders through a number of means including:

- (e) annual and half-yearly reports;
- (f) regular Shareholder updates sent by email or mail;
- (g) media releases, public announcements; and
- (h) annual general meetings.

In addition, the Group is committed to allow reasonable opportunity for informed Shareholder participation at general meetings.

Corporate Governance Statement (continued)

Principle 7: Recognise and manage risk

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has, as part of its management and reporting systems, a risk management policy. The policy identifies the establishment of a management risk group which meets to identify and monitor the risks faced by the Group and which recommends mitigation strategies. The management risk group reports to the Board at regular intervals. In addition, regular reports are provided to the Board on issues such as compliance, insurance, and financial issues. Management is ultimately responsible to the Board for the Group's system of internal control and risk management.

The managing director and the Chief Operating Officer provide the Board with an annual written statement that the statement given with respect to the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Principle 8: Remunerate fairly and responsibly

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

The Board is responsible for the review of the performance of the Board and senior management. The review of the managing director is carried out, and approved by, the Board. The performance of senior management (that is, those who report directly to the Managing Director) is reviewed at the end of each financial year by the Executive Directors.

At the review:

- (a) performance objectives and development plans are set (having regard to both the corporate goals set by the Board and individual performance goals) for the forthcoming financial year; and
- (b) individual performance is assessed against last year's performance objectives and the amount of "at risk" remuneration to be paid and securities to be granted under the Group's incentive plan is determined by reference to that individual's performance.

Contents

Page

Financial Statements

Consolidated statement of comprehensive income	17
Consolidated balance sheet	18
Consolidated statement of changes in equity	19
Consolidated statement of cash flow	20
Notes to the consolidated financial statements	21
Directors' declaration	47

Independent auditor's report to the shareholders	48
--	----

Consolidated Statement of Comprehensive Income

	Notes	For the year ended 30 June 2012 \$	For the year ended 30 June 2011 \$
Revenue from continuing operations			
Management fee income		2,827,231	3,266,263
Interest income from financial assets not held at fair value		123,175	162,418
Changes in fair value of financial assets	6	(205)	25,691
Other income		67,524	210,475
Total income		3,017,725	3,664,847
Impairment of intangibles and goodwill	14	143,785	3,230,285
Occupancy expenses		127,115	184,240
Personnel expenses		1,976,279	2,464,848
Share based payment	28	500,000	500,000
Fund expenses		822,404	1,249,489
Other expenses	8	355,512	578,099
Finance costs		103,994	117,603
Total operating expenses		4,029,089	8,324,564
Net Operating Profit/(Loss) before income tax		(1,011,364)	(4,659,717)
Income tax benefit	7	-	280,157
Profit/(loss) for the year		(1,011,364)	(4,379,560)
Profit/(loss) attributable to Shareholders of Aurora Funds Limited		(1,011,364)	(4,379,560)
Other comprehensive income (expenses) attributed to:			
Changes in fair value of available-for-sale financial assets		-	(9,629)
Total comprehensive income (expenses) attributable to the Shareholders of Aurora Funds Limited		(1,011,364)	(4,389,189)
 Earnings per share for profit attributable to the ordinary equity holders of the Group:			
Basic earnings per share (cents)		(11.31)	(49.06)
Diluted earnings per share (cents)		(11.31)	(49.06)

The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

For personal use only

Consolidated Balance Sheet

	Note	As at 30 June 2012 \$	As at 30 June 2011 \$
CURRENT ASSETS			
Cash & cash equivalents	9	2,585,969	3,091,337
Trade and other receivables	10	576,580	605,394
Financial assets at fair value through profit or loss	11	-	4,965
Other		109,482	168,859
Total current assets		<u>3,272,031</u>	<u>3,870,555</u>
NON-CURRENT ASSETS			
Plant and Equipment	13	70,357	83,173
Deferred tax assets	12	316,641	316,641
Goodwill and intangibles	14	3,822,006	3,965,791
		<u>4,209,004</u>	<u>4,365,605</u>
Total assets		<u>7,481,035</u>	<u>8,236,160</u>
CURRENT LIABILITIES			
Trade and other payables	15	787,087	1,028,869
Short-term borrowings	17	24,822	26,801
Total current liabilities		<u>811,909</u>	<u>1,055,670</u>
NON CURRENT LIABILITIES			
Deferred tax liability	16	36,484	36,484
Sub-ordinated debt	17	1,000,000	1,000,000
Total non-current liabilities		<u>1,036,484</u>	<u>1,036,484</u>
Total liabilities		<u>1,848,393</u>	<u>2,092,154</u>
NET ASSETS		<u>5,632,642</u>	<u>6,144,006</u>
EQUITY			
Share Capital	18	10,907,304	10,907,304
Share based payment reserve	28	1,000,000	500,000
Accumulated losses		(6,274,662)	(5,263,298)
		<u>5,632,642</u>	<u>6,144,006</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Share Capital	Accumulated Profits/(losses)	Share based payment Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2010	1,175,005	(874,109)	-	300,896
Comprehensive Income for the year		(4,389,189)		(4,389,189)
Shares issued	10,188,264	-	-	10,188,264
Share base payment reserve			500,000	500,000
Share buy back	(54,955)			(54,955)
Capital raising costs	(401,010)		-	(401,010)
Balance at 30 June 2011	10,907,304	(5,263,298)	500,000	6,144,006
Comprehensive Income for the year	-	(1,011,364)	-	(1,011,364)
Shares issued	-	-	-	-
Share base payment reserve	-	-	500,000	500,000
Share buy back	-	-	-	-
Capital raising costs	-	-	-	-
Balance at 30 June 2012	10,907,304	(6,274,662)	1,000,000	5,632,642

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

For personal use only

Consolidated Statement of Cash flows

	2012	2011
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,174,159	3,866,711
Payments to suppliers and employees	(3,709,049)	(4,307,422)
Interest received	141,526	130,406
Interest paid	(105,973)	(90,802)
Net cash inflow from operating activities	(499,337)	(401,107)
	25	
Cash flows from investing activities		
Payment for plant and equipment	(10,791)	(39,577)
Proceed from sales of available-for-sale financial assets	4,760	775,726
Acquisition of investments	-	(5,000)
Cash payment for acquisitions, net of cash acquired	-	(2,433,362)
Net cash (outflow) from investing activities	(6,031)	(1,702,213)
Cash flows from financing activities		
Proceeds of debt issue	-	-
Receipt of loan proceeds	-	507,654
Repayment of sub-ordinated debt	-	(250,000)
Issue of equity	-	4,073,668
Capital raising costs paid	-	(401,010)
Net cash inflow/(outflow) from financing activities	-	3,930,312
Net increase/(decrease) in cash and cash equivalents	(505,368)	1,826,992
Cash and cash equivalents at beginning of the period	3,091,337	1,264,345
Cash and cash equivalents at the end of the period	2,585,969	3,091,337

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

For personal use only

1. Introduction

These financial statements cover the consolidated entity ("the Group") consisting of Aurora Funds Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Aurora Funds Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is listed on the Australian Securities Exchange (ASX).

Reporting period

The report covers the financial year 2012 and the comparatives period of 1 July 2010 to 30 June 2011

Registered Office

The registered office of the Group and principal place of business is at:
Suite 2, Level 2, 350 George Street
Sydney, NSW 2000

A description of the nature of the Group's operations and its principle activities is included in the Directors' report.

The financial statements were authorised for issue by the directors on 20 September 2012. The directors have the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year/period presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Aurora Funds Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all entities which Aurora Funds Limited controlled through the period and at the balance date.

(i) Compliance with IFRS

The consolidated financial statements of the Aurora Funds Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, certain classes of property and plant and equipment.

(iii) Critical accounting estimates

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

2. Summary of significant accounting policies

(b) Principles of consolidation

(i) *Subsidiary*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aurora Funds Limited ('Group' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Aurora Funds Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Change in ownership interest*

A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Aurora Funds Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

The Group is organised into one main business segment – funds management, which operates solely in the business of investment management within Australia. Group's business does not rely on any major customers.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) *Management fee income*

Revenue from the rendering of a service is recognised upon the delivery of the service to customers.

2. Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(iii) Brokerage fee income

Revenue from brokerage services is recognised in the accounting period in which the services are rendered.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Aurora Funds Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(f) Leases

Leases of property, in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2. Summary of significant accounting policies (continued)

(g) Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group.

The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

In some business combinations, a new entity formed to effect a business combination is not necessarily the acquirer. If a new entity is formed to issue equity interests to effect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer. The acquirer is usually the combining entity whose relative size is greater than that of the other combining entities as well as other factors such as domination of the board or management. In such circumstances, the acquirer is the entity whose equity interests have been acquired and the issuing entity (along with any other businesses acquired) is the acquiree.

Accordingly, the consolidated financial statements are prepared as a continuation of the accounting acquirer's financial statements and reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent and any other businesses acquired. Therefore, the cost of the business combination shall be allocated by measuring the identifiable assets, liabilities and contingent liabilities of the legal parent and other acquired businesses that satisfy the recognition criteria at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amount are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, which is the rate that a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalent

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Summary of significant accounting policies (continued)

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group 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 60 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 profit or loss 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 profit or loss.

(k) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Measurement (continued)

Loans and receivables including inter-company receivables and loans to key management personnel are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade receivables is described in note 10.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

(l) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2. Summary of significant accounting policies (continued)

(l) Plant and equipment (continued)

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

The effective life used for each class of depreciable assets are:

Class of Fixed Asset	Effective Life
Furniture and fittings	4 - 13 years
Computer equipment and software	2 - 4 years

(m) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 14. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination as described in Note 2(g) in which the goodwill arose.

(ii) Management contracts

Management contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which varies depending on the length of the contract. Open ended contracts are deemed to have an indefinite useful life and are not subject to amortisation. Instead, these are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Value-in-use calculations are based on the present value of cash flows over five years plus assigning a terminal value of cashflow.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. Summary of significant accounting policies (continued)

(q) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Retirement benefit obligations

Contributions to the superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2. Summary of significant accounting policies (continued)

(u) New standards and interpretations issued not yet effective

As at the date of this report there are a number of new accounting standards and Interpretations that have been issued and are applicable to the Group but are not yet effective for reporting periods ending on or prior to 30 June 2012, are provided below. The effect of not applying these standards on the Group is nil.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised nil of such gains in other comprehensive income.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

2. Summary of significant accounting policies (continued)

(v) Parent entity financial information

The financial information for the parent entity, Aurora Funds Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Aurora Funds Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

There were no dividends paid to the parent entity from its subsidiaries during the period ending 30 June 2012.

(ii) Tax consolidation legislation

Aurora Funds Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Aurora Funds Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Aurora Funds Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Aurora Funds Limited for any current tax payable assumed and are compensated by Aurora Funds Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Aurora Funds Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary Undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets within its obligations for the management contracts and seeks to mitigate the risk and reduce volatility on Group's financial performance. Financial risk management is carried out by the Management under policies approved by the Board of Directors.

The Groups risk management program relates to its administration duties for the Funds, focuses on ensuring compliance with their Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Funds are exposed. Financial risk management is carried out by the investment management department of Aurora Funds Management Limited under policies approved by the Board of Directors of the responsible entity (the Board).

3. Financial Risk Management (continued)

The Group holds following financial instruments:

	2012	2011
	\$	\$
Financial assets		
Cash and cash equivalents	2,585,969	3,091,337
Trade and other receivables	576,580	605,394
Financial assets at fair value through profit or loss	-	4,965
	3,162,549	3,701,696
Financial liabilities		
Trade and other payables	787,087	1,028,869
Borrowings	1,024,822	1,026,801
	1,811,909	2,055,670

(a) Market risk

(i) Foreign exchange risk

The Group operates in Australia only and is not exposed to foreign exchange risk.

(ii) Price risk

The Group is exposed indirectly to equity securities price risk which is not considered material. This arises from investments held by the Group and classified in the balance sheet as Financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2012 and 2011, the Group's borrowings at variable rate were in Australian Dollars.

As at the end of the reporting period, the group had the following variable rate borrowings outstanding:

	30 June 2012		30 June 2011	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash at hand	3.29%	2,585,969	5.31%	3,091,337
Sub-ordinated debt	9.50%	(1,000,000)	10.65%	(1,000,000)
Net exposure to cash flow interest rate risk		1,585,969		2,091,337

The Group calculates the impact on profit or loss of a defined interest rate shift. The calculations are run only for liabilities that represent the major interest-bearing positions.

Sensitivity

At 30 June 2012, if interest rates had increased by 100 basis points or decreased by 100 basis points from the year end rates with all other variables held constant, profit for the year would have been \$15,860 higher/ \$15,860 lower (2011: \$20,913 higher/ \$20,913 lower), mainly as a result of higher/lower interest income from cash and cash equivalents and borrowings.

3 Financial Risk Management (continued)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with the Commonwealth Bank (AA- credit rating), Westpac Bank (AA- credit rating), Macquarie Bank Ltd (A/Stable) and Rabo Bank (AAA/Stable/A-1+) as well as credit exposures to debtors, including outstanding receivables. The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements. The risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Cash at Bank and short term bank deposits	2012	2011
	\$	\$
AA-	2,529,926	1,784,311
A/Stable	56,040	7,276
AAA/Stable/A-1+	3	1,299,750
	2,585,969	3,091,337

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at call of \$300,000 (2011 – \$2,380,000) that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 9) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the period:

	2012	2011
	\$	\$
Floating rate		
- Expiring within one year (sub-ordinated debt)	-	-
- Expiring beyond one year	-	-
	-	-

For personal use only

3. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Over 1 year to 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
As at 30 June 2012	\$	\$	\$	\$	\$
Non-derivatives					
Trade payables	554,216	63,986	168,885	787,087	787,087
Borrowings	72,322	47,500	1,285,000	1,404,822	1,024,822
Total non-derivatives	626,538	111,486	1,453,885	2,191,909	1,811,909
As at 30 June 2011					
Non-derivatives					
Trade payables	694,305	106,561	228,003	1,028,869	1,028,869
Borrowings	53,250	53,250	1,957,503	2,064,003	1,026,801
Total non-derivatives	747,555	159,811	2,185,506	3,092,872	2,055,670

(d) Fair Value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement 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 (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognized at fair value at 30 June 2012 and 30 June 2010:

As at 30 June 2012	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Fair Value through profit or loss	-	-	-	-
Total assets	-	-	-	-
Total liabilities				
	-	-	-	-
As at 30 June 2011				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Fair Value through profit or loss	-	4,965	-	4,965
Total assets	-	4,965	-	4,965
Total liabilities				
	-	-	-	-

For personal use only

3 Financial Risk Management (continued)

(d) Fair Value measurements (continued)

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The Group only invested in unlisted equity securities, of which fair value is based on the unit price at the end of the reporting period. No specific valuation techniques used to value financial instruments.

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and other price risk.

30 June 2012		Interest rate risk				Other price risk			
		-100 bps		+100bps		-10%		+10%	
Consolidated	Carrying amount	Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets									
Cash and cash equivalent	2,585,969	(25,860)	-	25,860	-	-	-	-	-
Accounts receivable	576,580	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Financial liabilities									
Trade payables	787,087	-	-	-	-	-	-	-	-
Borrowings	1,024,822	10,000	-	(10,000)	-	-	-	-	-
Total increase/(decrease)		(15,860)	-	15,860	-	-	-	-	-

30 June 2011		Interest rate risk				Other price risk			
		-100 bps		+100bps		-10%		+10%	
Consolidated	Carrying amount	Profit	Other equity	Profit	Other equity	Profit	Other equity	Profit	Other equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets									
Cash and cash equivalent	3,091,337	(30,913)	-	30,913	-	-	-	-	-
Accounts receivable	605,394	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	4,965	-	-	-	-	(497)	-	497	-
Financial liabilities									
Trade payables	1,028,869	-	-	-	-	-	-	-	-
Borrowings	1,026,801	10,000	-	(10,000)	-	-	-	-	-
Total increase/(decrease)		(20,913)	-	20,913	-	(497)	-	497	-

For personal use only

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill and intangibles

The Group tests annually whether goodwill and intangibles have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

(b) Critical judgements in applying the entity's accounting policies

Other than stated above, there is no other critical judgments will have a material impact on this financial statement.

5. Segment report

The Group is organised into one main business segment which operates solely in the business of investment management within Australia.

6. Changes in fair value of financial assets

	2012 \$	2011 \$
Realised net (loss)/gain on fair value through profit or loss	(205)	25,726
Unrealised net loss on fair value through profit or loss	-	(35)
	<u>(205)</u>	<u>25,691</u>

7. Income tax revenue

	2012 \$	2011 \$
(a) Income tax revenue		
Deferred tax	-	(280,157)
	<u>-</u>	<u>(280,157)</u>
Income tax revenue is attributable to:		
Profit from continuing operations	-	(280,157)
Aggregate income tax expense	<u>-</u>	<u>(280,157)</u>
Deferred income tax revenue included in income tax revenue comprises:		
Decrease(increase) in deferred tax assets	-	(316,641)
(Decrease) increase in tax liabilities	<u>-</u>	<u>36,484</u>
	<u>-</u>	<u>(280,157)</u>

For personal use only

7. Income tax revenue (continued)

(b) Numerical reconciliation of income tax revenue to prima facie tax payable

Profit from continuing operations before income tax expense	(1,011,364)	(4,669,346)
Tax revenue at the Australian tax rate of 30% (2011 - 30%)	(303,409)	(1,400,804)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill and intangibles impairment	43,136	969,086
Unrealised loss on financial assets	-	11
Entertainment	-	1,550
Share-based payments	150,000	150,000
Non Recognition of this tax	110,273	-
Previous unused tax loss now recouped to reduce current tax expenses	-	-
Previous unused tax loss now recouped to reduce deferred tax expenses	-	-
	<u>-</u>	<u>(280,157)</u>

There is a franking credit amount of \$196,717 brought forward from Sandringham Capital Pty Limited.

8. Other expenses

	2012	2011
	\$	\$
Professional fees	43,247	95,635
Registry	44,455	26,651
Insurance	72,013	65,291
IT fee	23,954	72,780
Depreciation	23,607	40,482
Marketing	8,996	79,353
Other operating expenses	139,240	197,907
	<u>355,512</u>	<u>578,099</u>

9. Current assets – Cash and cash equivalent

	2012	2011
	\$	\$
Cash at bank and in hand	2,285,969	711,337
Deposits on call	300,000	2,380,000
	<u>2,585,969</u>	<u>3,091,337</u>

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

For personal use only

10. Current assets - Trade and other receivables

	2012	2011
	\$	\$
Trade receivables	576,580	778,713
Impairment of receivables (a)	-	(173,319)
	<u>576,580</u>	<u>605,394</u>
Other receivables	<u>109,482</u>	<u>168,859</u>
	<u>686,062</u>	<u>774,253</u>

(a) Impaired trade receivables

The ageing of these receivables is as follows:

	2012	2011
	\$	\$
Over 1 year	-	(173,319)
	<u>-</u>	<u>(173,319)</u>

The impairment amount relates to Fund expense recoveries.

(b) Past due but not impaired

The fund did not have any amounts related to past due but not impaired.

(c) Aging of the receivables

As at 30 June 2012, no trade receivables were past due nor impaired. The ageing analysis of these trade receivables is as follows:

	2012	2011
	\$	\$
1 to 3 months	545,786	604,764
3 to 6 months	30,794	630
	<u>576,580</u>	<u>605,394</u>

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

11. Current assets – financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss were all held for trading and was the investment in a liquid unlisted fund managed by Fortitude Capital Pty Limited. Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expense in profit or loss.

For personal use only

12. Non-current assets – Deferred tax assets

	2012	2011
	\$	\$
Deferred tax assets expected to be recovered after more than 12 months	316,641	316,641
	<u>316,641</u>	<u>316,641</u>

13. Non-current assets – Plant and equipment

At 1 July 2010

Cost of fair value	34,201
Accumulated depreciation	(20,361)
Net book amount	<u>13,840</u>

Year ended 30 June 2011

Opening net book amount	13,840
Additions	109,815
Disposals	-
Depreciation charge	(40,482)
Closing net book amount	<u>83,173</u>

As at June 2011

Cost of fair value	144,016
Accumulated depreciation	(60,843)
Net book amount	<u>83,173</u>

Year ended 30 June 2012

Opening net book amount	83,173
Additions	29,919
Disposals	(22,584)
Depreciation charge	(20,151)
Closing net book amount	<u>70,357</u>

As at June 2012

Cost of fair value	151,351
Accumulated depreciation	(80,994)
Net book amount	<u>70,357</u>

14. Non-current assets – Intangible assets

The Group acquired:

	Fortitude Capital Pty Ltd	Sandringham Capital Pty Ltd
	\$	\$
Net assets at acquisition date	1,314,248	423,012
Intangible assets	1,330,285	2,491,720
Goodwill	688,801	2,685,268
Total consideration	<u>3,333,334</u>	<u>5,600,000</u>

For personal use only

14. Non-current assets – Intangible assets (continued)

The intangible assets recognised on acquisition of Sandringham and Fortitude comprise the present value of the acquired fund management contracts of the group taking into account the successful track records that have been established in the respective funds and their useful economic life (refer note 2(g) for more detail).

	Goodwill \$	Other intangible assets \$
Year ended 30 June 2012		
Opening net book amount	241,610	3,724,181
Acquisitions of businesses	-	-
Impairment charge	(241,610)	97,825
Closing net book amount	0	3,822,006
Year ended 30 June 2011		
Opening net book amount	-	-
Acquisitions of businesses	3,374,070	3,822,006
Impairment charge	(3,132,460)	(97,825)
Closing net book amount	241,610	3,724,181

(a) Impairment tests for goodwill and intangibles

The recoverable amount of goodwill and intangibles is determined based on the higher of value-in-use or fair value less cost to sell calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business.

(b) Key assumptions used for value-in-use calculations

In performing the value-in-use calculations for each cash-generating units (CGU), the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed below.

In assessing goodwill, a growth rate between zero to 10% was used for retail funds as a result of current market volatility. A discount rate of 9.5% has been used as it represents the current weighted average cost of capital.

(c) Impairment charge

	Fortitude Capital Pty Ltd \$	Sandringham Capital Pty Ltd \$
2012		
Intangibles	-	(97,825)
Goodwill	241,610	-
Impairment charge	241,610	(97,825)
2011		
Intangibles	-	97,825
Goodwill	447,192	2,685,268
Impairment charge	447,192	2,783,093

For personal use only

15. Current liabilities – Trade and other payables

	2012	2011
	\$	\$
Trade payables	441,501	64,935
Expenses accruals	103,422	394,647
Customer deposits	9,293	220,018
Other payables	0	46,012
Provision for leave	232,871	303,257
	<u>787,087</u>	<u>1,028,869</u>

16. Non-current liabilities – Deferred tax liabilities

The balance comprises temporary differences attributable to:

Opening Balance	36,484	-
Amortisation of set up cost	-	36,484
Deferred Income and Expenses	-	-
Net deferred tax liabilities	<u>36,484</u>	<u>36,484</u>
Deferred tax liabilities expected to be set off within 12 months	36,484	36,484
Deferred tax liabilities expected to be set off after more than 12 months	<u>36,484</u>	<u>36,484</u>

17. Borrowings

Current liabilities - Borrowings

Unsecured

Subordinate debt	-	-
Interest payable	24,822	26,801
	<u>24,822</u>	<u>26,801</u>

Non-current liabilities - Borrowings

Unsecured

Subordinate debt	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

The Company entered into a subordinate debt agreement with HSI No. 1 Pty Ltd atf HSI Noteholders Trust on 23rd December 2010 with total borrowing amount of \$1 million for 5 years. The repayment is sub-ordinated to all creditors as approved by the Australian Securities and Investments Commission. Interest is payable quarterly in arrears at a floating rate of RBA cash rate plus 6%. The total interest expensed for the year was \$103,994 (2011: \$117,603) of which \$24,822 was payable at 30 June 2012.

The carrying amounts and fair values of borrowings at the end of reporting period are:

	2012		2011	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$	\$	\$	\$
Subordinate debt	<u>1,024,822</u>	<u>1,024,822</u>	<u>1,026,801</u>	<u>1,026,801</u>

18. Contributed Equity

Ordinary shares issued during the period were as follows:

	2012 Shares	2011 Shares	2012 \$	2011 \$
Opening balance	8,945,997	1,289,367	10,907,304	1,175,005
Opening balance in Aurora Funds Limited	-	-	-	-
Share issued	-	9,002,637	-	10,188,264
Elimination of shares in Aurora Funds Management Limited	-	(1,289,367)	-	-
Share buy back	-	(56,640)	-	(54,955)
Capital raising cost	-	-	-	(401,010)
Total contributed equity	8,945,997	8,945,997	10,907,304	10,907,304
Total Authorised Share Capital (Par Value \$2.00)	8,945,997			

The profits of the Group which the Directors may from time to time determine to distribute by way of a dividend are divisible among the Shareholders in proportion to the number of Shares paid up by them, subject to the rights attaching to any shares with special dividend rights. No shares with special dividend rights are currently on issue.

The Directors may (subject to the restrictions on the issue of Shares imposed by the Constitution, Listing Rules and the Corporations Act) issue, grant options over, or otherwise dispose of further Shares on terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they consider appropriate.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including non-controlling interests) plus net debt.

The Group entered into various escrow agreements with some of the shareholders. These agreements have now expired and all shares are ranked equally with ordinary shares.

Period of Escrow	Shares
12 months from listing date	562,500
18 months from listing date	794,712
24 months from listing date	6,621,960

Share Based Payment Reserve

	2012 \$	2011 \$
Share based payment	500,000	500,000
	500,000	500,000

For personal use only

19. Key management personnel disclosures

At 30 June 2012, the Group made the following payments to key management personnel during the period.

(a) Key management personnel compensations

	2012 \$	2011 \$
Short-term employee benefits	932,025	1,031,083
Post-employment benefits	88,751	87,718
Share based payment	500,000	500,000
	<u>1,520,776</u>	<u>1,618,801</u>

At 30 June 2012, key management personnel held the following number of shares in Aurora Funds Limited.

Name	Ordinary shares	
	Number held	Percentage of issued shares
MR IAN STEUART ROE and related parties	2,371,956	26.514
MR JOHN FREDERICK CORR & RELATED PARTIES	908,220	10.152
SIMON ANGUS LINDSAY & RELATED PARTIES	650,001	7.266
RICHARD GROSVENOR MATTHEWS & RELATED PARTIES	650,001	7.266
ALASTAIR JOHN DAVIDSON & RELATED PARTIES	650,001	7.266
Detailed remuneration disclosures are provided in the remuneration report on page 6.		

(b) Other transactions with key management personnel

Other transactions with key management personnel are disclosed in note 23 Related party transactions.

20. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practises and non-related audit firms:

	2012 \$	2011 \$
(a) PwC Australia		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	140,267	45,547
<i>(ii) Taxation services</i>		
Taxation compliance services	27,382	6,700
Total remuneration of PwC audit firms	<u>167,649</u>	<u>52,247</u>
(b) Non-PwC Audit firms		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	26,923	11,763
<i>(ii) Taxation services</i>		
Taxation compliance services	800	8,220
Total remuneration of non-PwC audit firms	<u>27,723</u>	<u>19,983</u>
Total auditors' remuneration	<u>195,372</u>	<u>72,230</u>

21. Contingent assets and liabilities

There were no contingent assets or contingent liabilities at 30 June 2012.

22. Commitments

Lease commitments: Group as lessee

The Group leases various offices under operating leases expiring within 2 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2012	2011
	\$	\$
Commitments for minimum lease payment in relation to the operation lease are payable as follows:		
Within one year	118,800	162,540
Later than one year but not later than five years	48,400	160,429
	167,200	322,969

23. Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Aurora Funds Limited, which owns 100% of all the controlled entities.

(b) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b). All subsidiaries are incorporated in Australia.

Name of entity	Class of shares	Equity holding	
		2012 %	2011 %
Aurora Funds Management Limited	Ordinary	100	100
Sandringham Capital Pty Limited	Ordinary	100	100
Fortitude Capital Pty Limited	Ordinary	100	100
Aurora Distribution Pty Ltd	Ordinary	0	100

Aurora Distribution Pty Ltd was wound up during the financial year 2012.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 19.

	2012	2011
	\$	\$
<i>(i) Directors' shareholdings</i>		
Directors and director related entities hold directly, indirectly, or beneficially as at 30 June 2012 the following equity interests in the Group:		
Ordinary Shares	3,293,062	3,592,025
Conditional Shares	-	-
Anthony Jones or related party	-	-
<i>(ii) Interest paid to directors</i>		
Alastair Davidson	-	3,773
Richard Matthews or related entity	-	1,886
Oliver Morgan or related entity	-	1,886
Hugh Latimer	-	1,886
Anthony Jones or related party	-	-
	-	9,431

For personal use only

23. Related party transactions (continued)

(iii) Directors holdings

Directors' holdings in managed schemes for which Aurora Funds Management Limited and Controlled Entities is responsible entity ("RE"):

As at the date of this report the direct/indirect interests of the Directors of the consolidated entity in the Trusts were as follows:

2012							
Unitholder	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
Richard Matthews	205	205	\$1,376	0.0010%	-	-	\$172.20
John Corr & associates		235,853	\$224,084	0.2700%	235,853		\$8,988.00
Simon Lindsay	-	7,864	\$7,471	0.0093%	7,864		\$299.71

2011							
Unitholder	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
Richard Matthews	205	205	\$1,671	0.0010%	-	-	\$132.53
John Corr & associates	985,485	-	-	-	-	(985,485)	-

(d) Transactions with managed funds

All transactions with the Group and its subsidiary entities as the responsible entities of managed funds have been at market value on normal commercial terms and conditions. In accordance with the Fund's constitution, the Responsible Entity/Trustee received fees of \$2,827,231 (2011: \$3,007,750) for the provision of responsible entity/Trustee and asset management services to the funds and be reimbursed \$212,229 (2011: \$141,350) for certain expenditure incurred in the administration of the funds.

(e) Investment in managed funds

As at 30 June 2012, the Group did not hold any units in Managed Funds related to the consolidated group.

(f) Transactions between parent entity and other related parties within the same consolidation group

The ultimate parent entity within the Group is Aurora Funds Limited, which owns 100% of all the controlled entities.

During the year, the transactions with parent entity and the other related entities, which are the subsidiaries of the same parent entity are listed as follows:

	Aurora Funds Management loan to Aurora Funds Limited	Sandringham loan to Aurora Funds Management	Fortitude loan to Aurora Funds Management	Fortitude loan to Aurora Funds Limited	Sandringham loan to Aurora Funds Limited
2012					
Beginning of the year	1,315,593	30,095	128,899	925,000	360,414
Loan advanced	10,000	41,004	0	0	0
Loan repaid	(259,941)	(71,099)	0	0	(360,414)
	1,065,652	0	128,899	925,000	0
2011					
Beginning of the year	-	-	-	-	-
Loan advanced	3,104,260	55,418	448,805	925,000	360,414
Loan repaid	(1,788,667)	(25,324)	(319,906)	-	-
	1,315,593	30,094	128,899	925,000	360,414

The Group has a subordinate debt agreement with the Aurora Funds Management Limited, one of the controlled entities, with total lending amount of \$1 million for 5 years. Interest payment of \$103,705 (2011 \$74,144) was made to Aurora Funds Management Limited during the year.

24. Events occurring after the reporting period

Except as disclosed in the financial report, no other matters or circumstances have arisen since 30 June 2012 that have significantly affected, or may significantly affect:

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

25. Reconciliation of profit after income tax to net cash flow from operating activities

	2012	2011
	\$	\$
(Loss)/profit from ordinary activities after income tax	(1,011,364)	(4,379,560)
<i>Adjustment of non-cash items from operating activities:</i>		
Depreciation	23,607	40,482
Impairment of goodwill	143,785	3,230,285
Share base payment	500,000	500,000
Increase/(Decrease) in provision for income tax	-	36,484
Decrease/(Increase) in deferred income tax	-	(316,641)
Net gain on sales of available-for-sale assets	205	(25,726)
Fair value adjustment on available-for-sale assets through profit or loss	-	35
<i>Non cash flows in loss/(profit) from ordinary activities:</i>	-	-
Changes in assets and liabilities:		
Decrease/(increase) in receivables	103,932	377,855
Decrease/(increase) in prepayments	(15,741)	(26,822)
Increase/(Decrease) in payables	(243,761)	162,501
Net cash flows from operating activities	<u>(499,337)</u>	<u>(401,107)</u>

26. Earnings per share

	2012	2012	2011	2011
	Cents per share	\$	Cents per share	\$
Basic earnings per share attributable to the ordinary equity holders of the Group	<u>(11.31)</u>	<u>(1,011,364)</u>	<u>(49.06)</u>	<u>(4,389,189)</u>
Total diluted earnings per share attributable to the ordinary equity holders of the Group	<u>(11.31)</u>	<u>(1,011,364)</u>	<u>(49.06)</u>	<u>(4,389,189)</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>8,945,997</u>		<u>8,945,997</u>	

27. Share based payment

The Group has agreed to issue an additional 750,000 shares to John Corr, or his associates, on the third anniversary of the acquisition date of Fortitude Capital Pty Limited, subject to John Corr not resigning before that date. The cost of these shares are expensed each year on a straight line basis.

28. Parent entity financial information

(a) Summary financial information

The individual financial information statements for the parent entity show the following aggregate amounts:

	2012	2011
	\$	\$
Balance Sheet		
Current assets	1,038,102	1,458,533
Total assets	5,289,446	8,268,906
Current liabilities	(2,021,786)	(2,625,062)
Total liabilities	(2,021,786)	(2,625,062)
Shareholders' equity		
Issued capital	15,014,674	15,014,674
Share-based payments	1,000,000	500,000
	<u>16,014,674</u>	<u>15,514,674</u>
Profit or loss for the year	<u>(547,413)</u>	<u>(1,436,453)</u>
Total comprehensive income	<u>(547,413)</u>	<u>(1,436,453)</u>

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

(c) Contractual commitments for operating lease

As at 30 June 2012, the parent entity renewed the rental lease to commitments for the lease of office to 31 July 2013. The contractual commitments totaling \$92,950 (30 June 2011 \$184,825).

For personal use only

Directors' declaration

In the opinion of the directors of the Group:

- (a) the financial statements and notes set out on pages 16 to 46 are in accordance with the *Corporations Act 2001*, including that they
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Group's financial position as at 30 June 2012 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Steuart Roe
Managing Director
20 September 2012



Richard Matthews
Director
20 September 2012



Independent auditor's report to the members of Aurora Funds Limited

Report on the financial report

We have audited the accompanying financial report of Aurora Funds Limited (the disclosing entity), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Aurora Funds Limited (the consolidated entity). The consolidated entity comprises the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the disclosing entity 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors 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. These Auditing 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 and fair presentation of the financial report 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Aurora Funds Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Aurora Funds Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, likely belonging to Joseph Sheeran.

Joseph Sheeran
Partner

Sydney
20 September 2012

For personal use only

Shareholder Information

The shareholder information set out below was applicable as at 07 August 2012.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares
1-1000	70
1,001 - 5,000	208
5,001-10,000	21
10,0001-100,000	18
100,001 and over	18
	<hr/>
	335
	<hr/>

B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Percentage of issued shares
MR IAN STEUART ROE	1,621,956	18.131
TRAFALGAR STREET NOMINEES <THE ROE SUPERANNUATION FUND>	750,000	8.384
MR JOHN FREDERICK CORR	500,000	5.589
A D FAMILY PTY LTD <DAVIDSON FAMILY S/FUND A/C>	481,251	5.380
HSI NO 1 PTY LTD <HSI UNIT A/C>	449,999	5.030
KNOXY HOLDINGS PTY LTD	400,000	4.471
MR SIMON A LINDSAY	337,501	3.773
HUGH LATIMER & COMPANY PTY LTD <THE HUGH LATIMER FAMILY A/C>	337,500	3.773
MR OLIVER JOHN MORGAN <THE MORGAN FAMILY S/F A/C>	337,500	3.773
RGM ET AL PTY LTD <RGM FAMILY A/C>	337,500	3.773
J P MORGAN NOMINEES AUSTRALIA LIMITED	334,393	3.738
HUGH LATIMER & COMPANY PTY LTD <HUGH LATIMER SUPER FUND A/C>	312,500	3.493
MR OLIVER JOHN MORGAN <MORGAN FAMILY S/FUND A/C>	312,500	3.493
RGM SUPER PTY LTD <RGM SUPER FUND A/C>	312,500	3.493
S & N LINDSAY INVESTMENTS PTY LTD <THE S & N LINDSAY S/F A/C>	312,500	3.493
MS ELIZABETH JANE DENNING	168,750	1.886
CORPORATE PROPERTY SERVICES PTY LTD <K W SHARE A/C>	150,000	1.677
PARIBAS PTY LTD	135,570	1.515
B M J CONSULTING PTY LTD <MARK LAUDER FAMILY A/C>	98,438	1.100
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	96,034	1.073
	<hr/>	
	7,786,392	87.038
	<hr/>	

C. Substantial holders

Substantial holders in the Group are set out below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
MR IAN STEUART ROE and related parties	2,371,956	26.514
MR JOHN FREDERICK CORR & RELATED PARTIES	908,220	10.152
ALASTAIR JOHN DAVIDSON & RELATED PARTIES	650,001	7.266
OLIVER JOHN MORGAN & RELATED PARTIES	650,000	7.266
SIMON ANGUS LINDSAY & RELATED PARTIES	650,001	7.266
RICHARD GROSVENOR MATTHEWS & RELATED PARTIES	650,001	7.266
HUGH INGERSOLL FLEMING LATIMER & RELATED PARTIES	650,000	7.266
HSI NO 1 PTY LTD (HSI UNIT A/C)	449,999	5.030
	<hr/>	<hr/>
	6,980,178	78.026

D. Voting rights

The Group has only one class of equity securities set out below:

Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

This information is summarised from registry information.