

Aurora Global Income Trust

ARSN 127 692 406

Interim Financial Report For the half-year ended 31 December 2017

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Directors' Report

The Directors of Aurora Funds Management Limited (ABN 69 092 626 885), the "Responsible Entity" of Aurora Global Income Trust ("the Trust"), present their interim report together with the condensed financial statements of the Trust for the half-year ended 31 December 2017, and the auditor's report thereon.

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

Principal activities

The Trust invests in equities in accordance with the provision of the Trust Constitution and current Product Disclosure Statement.

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

The Trust is currently listed on the Australian Securities Exchange (ASX: AIB).

Directors

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

John Patton

Jeffrey Schwarz (appointed 25 July 2017)

Victor Siciliano (appointed 9 January 2018)

Jim Hallam (resigned 25 July 2017)

Betty Poon (removed 27 November 2017)

Units on Issue

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

	31 December 2017	30 June 2017
Units on issue	8,117,170	6,940,077

Review and results of operations

During the half-year, the Trust continued to invest in accordance with target asset allocations as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

Financial position

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

	31 December 2017 \$	30 June 2017 \$
At reporting period	0.56	0.62
High during period	0.62	0.84
Low during period	0.56	0.62

Directors' Report

Financial results for the half-year

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

	Half-year ended	
	31 December 2017 \$	31 December 2016 \$
Operating (loss)/ profit before finance costs attributable to unitholders	(226,778)	133,725
Distributions paid and payable	185,676	200,328
<i>Distributions</i>		
Distribution – (cents per units) - 30 September	1.24	1.53
Distribution – (cents per units) - 31 December	1.23	1.53

The Trust distributes all its net income each year to unitholders. The Trust distributes 2% of the Net Asset Value ("NAV") per unit each quarter. Should the Trust not generate sufficient net income to cover the distribution in any financial year, then part or all of any distribution may be a return of capital.

Information on underlying performance

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

Strategy and future outlook

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

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

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

On 8 December 2017, Aurora provided the following update to its earlier announcement made on 28 September 2016 via the fund update section on Aurora's website, regarding an "Enhancement to Investment Strategy". Aurora notified AIB unitholders of its intention to change the Funds investment strategy, specifically by changing the single position limit restrictions from "no long position can exceed 12% of the NAV on a cost basis" to "no long position can exceed 80% of the NAV on a cost basis". Aurora previously advised that it would re-evaluate this change in investment strategy once the takeover for the HHY Fund had been completed. As such, Aurora hereby advises that previously announced change in investment strategy will remain in effect and form part of AIB's ongoing investment strategy.

Significant changes in state of affairs

Molopo Energy Limited

As at 31 December 2017, the Responsible Entity holds shares in Molopo Energy Limited (ASX: MPO) that:

- Are subject to a divesture order as a result of proceedings by the Takeovers Panel;
- Were suspended from trading on the ASX from 31 May to 3 July 2017 and from 27 July 2017 to date; and
- Are subject to a takeover offer by the Aurora Fortitude Absolute Return Fund.

Significant changes in state of affairs (continued)

a. *Background: Takeovers Panel*

- On 10 July 2017, the review Panel made final orders in relation to the Molopo proceedings as follows:
 - a) 39,540,910 Molopo shares held by Aurora (being the number acquired since 10 August 2016) to be vested in ASIC to be sold over a period of 6 months, with the proceeds (net of costs) to be returned to Aurora;
 - b) Aurora and its associates may not acquire any further Molopo shares during the next six months; and
 - c) Aurora must make disclosure to Australian Securities Exchange, of its relevant interest in Molopo shares and its associate with Keybridge.
- On 8 September 2017 Aurora made an application for a judicial review of the Takeover Panel decision. This hearing, in the Federal Court is scheduled for October 2018.

The key sources of estimation uncertainty and fair value measurement in relation to MPO are outlined in Notes 4 and 5.

b. *Revised Bid*

On 27 July 2017, the Aurora Fortitude Absolute Return Fund (AFARF) announced a cash and/or script takeover bid for Molopo Energy Limited. AFARF has offered to takeover 100% of the ordinary shares in Molopo at \$0.135 per share.

On 12 January 2018, AFARF extended the takeover offer and increased the bid consideration to \$0.153 per share conditional on certain matters.

Under the bid, Molopo shareholders will be able to elect to receive a portion of the bid consideration in cash (capped at \$5 million in total) or the equivalent value of units in the Fund.

Takeover Bid

On 13 October 2017, the Aurora Global Income Trust (of which Aurora is the Responsible Entity) announced the closure of the off-market script takeover bid for the HHY Fund. The final acceptance of 12,584,261 units out of a total 85,583,437 or 14.70% accepted the AIB offer.

RNY Property Trust (ASX:RNY)

The Fund holds 1.18% of the issued capital of RNY Property Trust ("RNY").

On 18 July 2017, RNY announced that the estimated returns on its current liquidation strategy would be significantly lower than previous estimates, which negatively impacted its unit price. Due to this, on 28 July 2017 AFML requisitioned a meeting of RNY unitholders to consider replace RNY's Responsible Entity ("RE") RNY Australia Management Limited ("RAML") with AFML, and change RNY's strategy. RAML called the meeting to be held on 12 September 2017.

On 28 August 2017, in part to increase the likelihood of successfully replacing RAML with AFML as RE of RNY, the Trust commenced an off-market takeover bid to acquire 100% of the units in RNY.

The Trust's proposed resolution to replace RNY's RE RAML with AFML at the 12 September 2017 RNY unitholder meeting did not receive sufficient unitholder support and was unsuccessful. When the off-market takeover bid by the Trust closed on 2 November 2017 however, the Trust had accumulated 80.91% of units in RNY, and as such had voting power in RNY to replace RAML with an RE of its choosing.

On 8 November 2017, the Trust called and arranged another meeting to be held on 1 December 2017 for RNY unitholders to consider resolutions to replace RAML with AFML as RE of RNY. This did not proceed due to the discovery of \$1m in misappropriated funds from another Aurora fund, taken without proper authority on 25 November 2017 (as previously identified), that resulted in Australian Securities and Investments Commission stating on 30 November 2017 it would not be in a position to vary AFML's Financial Services License as required for AFML to become RNY's RE.

The Trust subsequently identified Huntley Management Services Limited ("HMSL") an alternate RE for RNY and on 19 January 2018 called a meeting of RNY unitholders to consider replacing RAML with HMSL, with the meeting held on 12 February 2018. On 12 February 2018, subject to ASIC confirmation, 99.9% of unitholders approved HMSL becoming RNY's RE.

Matters subsequent to the end of the half-year

On 19 February 2018, the responsible entity (RE) of the Aurora Global Income Trust (the Fund), Aurora Funds Management Limited received a request from Wilson Asset Management (International) Pty Limited (WAMI), to call and arrange a meeting of members to consider the removal of Aurora as responsible entity of the Fund and, if that occurs, the appointment of another responsible entity.

WAMI has requested the meeting pursuant to sections 252B and 601FM(1A) of the *Corporations Act 2001 (Cth)*, on the basis that it represents member(s) of the Fund with at least 5% of the votes that may be cast on the resolutions.

Prior to calling this meeting, WAMI had lodged a valid redemption request for all of the units it holds in the Fund, prior to any units allotted under the Dividend Reinvestment Plan, and accordingly it was processed in line with the Fund's redemption policy.

The Board of Aurora is considering the validity of the meeting request and will update the market as appropriate.

Other than the changes mentioned above, no matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

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

Indemnity and insurance of Aurora Funds Management Limited

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

Indemnity of auditors

The auditors of the Trust are in no way indemnified out of the assets of the Trust

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

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

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

Interests in the Trust

The movement in units on issue in the Trust during the half-year is disclosed in Note 6 of the condensed financial statements.

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

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Proceedings on behalf of the Trust

No person has applied for leave of Court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings. The Trust was not a party to any such proceedings during the half-year.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 of this financial report.

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

A handwritten signature in black ink, appearing to read 'John Patton', with a stylized flourish at the end.

John Patton
Managing Director
28 February 2018

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Auditor's Independence Declaration to the Directors of Aurora Funds Management Limited as the responsible entity of Aurora Global Income Trust

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Aurora Global Income Trust for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 28 February 2018

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Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2017

	Notes	Half-year ended	
		31 December 2017 \$	31 December 2016 \$
Investment income			
Interest income		1,467	33,224
Dividends and distribution income		45,407	47,791
Other income		62,824	-
Net gains/(losses) on financial instruments held at fair value through profit or loss		31,073	278,419
Total net investment income		140,771	359,434
Expenses			
Interest expenses		6,560	6,370
Dividend expenses		2,858	6,238
Management fees	11	30,811	29,219
Responsible Entity fees	11	33,886	-
Other operating expenses	11, 12	291,933	180,005
Transaction costs		1,501	3,877
Total operating expenses		367,549	225,709
Operating profit/(loss)		(226,778)	133,725
Finance costs attributable to unitholder			
Distribution to unitholders	7	(185,676)	(200,328)
(Increase)/decrease in net assets attributable to unitholders		412,454	66,603
Profit/ (loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-
Earnings per unit (basic/ diluted)		(\$0.03)	\$0.02

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

Condensed Statement of Financial Position

as at 31 December 2017

		31 December 2017	As at 30 June 2017
	Notes	\$	\$
Assets			
Cash and cash equivalents	8	53,359	963,371
Receivables		97,836	19,403
Due from brokers – receipts for securities sold		25,805	46,693
Financial assets held at fair value through profit or loss	9	4,854,486	4,555,916
Total assets		5,031,486	5,585,383
Liabilities			
Bank overdrafts	8	-	264,545
Distributions payable	7	99,841	119,090
Due to brokers – payable for securities purchased		15,658	276,251
Financial liabilities held at fair value through profit or loss	10	44,792	587,383
Other payables		270,225	97,247
Total liabilities (excluding net assets attributable to unitholders)		430,516	1,344,516
Net assets attributable to unitholders	6	4,600,970	4,240,867
Liabilities attributable to unitholders		(4,600,970)	(4,240,867)
Net assets		-	-

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

Condensed Statement of Changes in Equity for the half-year ended 31 December 2017

	Notes	Half-year ended	
		31 December 2017 \$	31 December 2016 \$
Balance at the beginning of the period			
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-
Transactions with unitholders in their capacity as unitholders		-	-
Total equity at the end of the period		-	-

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

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

Condensed Statement of Cash Flows

for the half-year ended 31 December 2017

	Notes	Half-year ended	
		31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		1,639,383	4,723,702
Purchase of financial instruments held at fair value through profit or loss		(2,689,170)	(7,258,183)
Transaction costs on sale and purchase of financial instruments at fair value through profit or loss		(1,501)	(3,799)
Dividends and distributions received		45,407	49,765
Dividends and distributions paid		-	(6,238)
Interest received		1,467	28,404
GST recovered/(paid)		(15,608)	(10,084)
Management fees paid		(24,188)	(34,943)
Responsible entity fees paid		(26,920)	-
Performance fees paid		-	(60,895)
Legal and professional fees paid		(108,938)	(108,316)
Payments of other expenses		(33,031)	(29,947)
Net cash inflow/(outflow) from operating activities		(1,213,099)	(2,710,534)
Cash flows from financing activities			
Proceeds from applications by unitholders		1,567,051	1,298,845
Payments for redemptions by unitholders		(825,057)	(681,259)
Payments for share buy backs		-	(357,796)
Distributions paid to unitholders		(174,362)	(186,194)
Net cash inflow/(outflow) from financing activities		567,632	73,596
Net increase/(decrease) in cash and cash equivalents		(645,467)	(2,636,938)
Cash and cash equivalents at the beginning of the period		698,826	3,689,539
Cash and cash equivalents at the end of the period	8	53,359	1,052,601
Non-cash financing activities		30,562	7,716

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

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1. General information

The condensed interim financial statements cover Aurora Global Income Trust (“the Trust”) as an individual entity. The Trust commenced operations on 18 December 2007 and was admitted to the Australian Securities Exchange (“ASX”) on 24 December 2007, and is domiciled in Australia.

The Responsible Entity of the Trust is Aurora Funds Management Limited (the “Responsible Entity”). The Responsible Entity’s registered office is Suite 613, 370 St Kilda Road, Melbourne, Vic 3004. The condensed interim financial statements are presented in the Australian currency.

It is recommended that these condensed interim financial statements are considered together with the current product disclosure document and in accordance with the provisions of the governing documents of the Trust, and any public announcements made by the Trust during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

2. Significant accounting policies

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

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

Basis of preparation

The accounting policies applied by the Trust in this condensed interim financial report are the same as those applied by the Trust in its Financial Report as at, and for, the year ended 30 June 2017.

Statement of compliance

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

The interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the annual financial report as at, and for, the year ended 30 June 2017.

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

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

3. Adoption of new and revised Accounting Standards

New, revised or amending Accounting Standards and Interpretations adopted

The Trust has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Trust for the annual reporting period ended 30 June 2017. The Trust’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Trust, as set out below.

3. Adoption of new and revised Accounting Standards (continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. This standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align with the risk management activities of the Trust. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognize an allowance.

The Trust intends to apply the standard from 1 July 2018 and is currently working through the financial statement impact of this new standard. The magnitude of the financial impacts on transition and on the comparative financial year is yet to be determined, as a result, at this time the Trust cannot make a reasonable quantitative estimate of the effects of the new standard.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standards is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Trust will adopt this standard from 1 July 2018. The changes in revenue recognition requirements in AASB 15 are not expected to have a significant impact on the timing and amount of revenue recorded in the financial statements, or result in significant additional disclosures.

4. Use of estimates and judgements

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

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2017.

1. Molopo Energy Limited (ASX: MPO)

As at 30 June 2017, the Fund held shares in MPO valued at \$1,724,177 that:

- Are subject to a divestiture order as a result of proceedings by the Takeovers Panel (;
- Were suspended from trading on the ASX from 31 May to 3 July 2017 and from 27 July 2017 to date; and
- Are subject to a takeover offer by the Aurora Absolute Fortitude Return Fund (AFARF).

4. Use of estimates and judgements (continued)

a. Background: Takeovers Panel

- On 11 April 2017, the Responsible Entity (“Aurora”) received applications by the Australian Securities and Investments Commission (“ASIC”) and Molopo Energy Limited (“Molopo”) to the Takeovers Panel (“Panel”) seeking declarations of unacceptable circumstances in relation to the Fund’s acquisition of shares in Molopo on the basis of an alleged association with Keybridge Capital Limited (“Keybridge”) in relation to Molopo;
- On 31 May 2017, the Panel announced it had conducted proceedings and published a declaration. The Panel did not find that Aurora and Keybridge were associates in relation to Molopo, however, the Panel did consider that certain circumstances in relation to Aurora and Keybridge gave rise to unacceptable circumstances;
- On 2 June 2017, the Panel received applications from Molopo and Keybridge seeking a review of the Panel’s decision;
- On 14 June 2017, the Panel made orders in relation to the Molopo proceedings as follows:
 - a) 39,540,910 Molopo shares held by the Responsible Entity (being the number acquired since 30 June 2016) to be vested in ASIC to be sold over a period of 6 months, with the proceeds (net of costs) to be returned to Aurora; and
 - b) Aurora to be restricted from voting no more than 5,088,921 MPO shares at the June 2017 MPO AGM.
- On 16 June 2017, Aurora made an application to the Panel seeking a review of the Panel’s decision on orders in the Molopo proceedings;
- On 30 June 2017, the review Panel announced it had agreed with the initial Panel that certain actions in relation to Aurora and Keybridge gave rise to unacceptable circumstances in relation to the affairs of Molopo. The review Panel also considered that Aurora and Keybridge were associates in relation to Molopo and have contravened section 606 of the Corporations Act 2001 and the substantial shareholder notice provisions;
- On 10 July 2017, the review Panel made final orders in relation to the Molopo proceedings as follows:
 - a) 39,540,910 Molopo shares held by the Responsible Entity (being the number acquired since 10 August 2016) to be vested in ASIC to be sold over a period of 6 months, with the proceeds (net of costs) to be returned to Aurora;
 - b) Aurora and its associates may not acquire any further Molopo shares during the next six months; and
 - c) Aurora must make disclosure to Australian Securities Exchange, of its relevant interest in Molopo shares and its associate with Keybridge.
- On 8 September 2017 Aurora made an application for a judicial review of the Takeover Panel decision. This hearing, in the Federal Court is scheduled for October 2018.
- The orders regarding the vesting of 39,540,910 MPO shares in ASIC were stayed in light of the review applications.

b. Background: Trading Suspension

- On 29 May 2017 Molopo requested a trading halt pending an announcement of a strategic investment;
- On 31 May 2017 Molopo requested a trading suspension (after the Panel applications were made, but prior to the declaration of unacceptable circumstances). The trading halt was requested by Molopo on the basis that a strategic investment was being assessed;
- On 20 June 2017 Molopo advised that it had not progressed with the strategic transaction, but requested the trading halt be extended until the Panel process was completed;
- On 3 July 2017 Molopo resumed trading;
- On 25 July 2017 Molopo requested a trading halt pending the announcement of a strategic investment;
- On 27 July 2017 AFARF announced a conditional part cash part scrip takeover bid for Molopo at \$0.18 cents per share;
- On 27 July 2017 Molopo requested a trading suspension pending the announcement of details of the strategic investment which has been completed;
- On 22 August 2017 Molopo advised that it had reinvested \$8.75m in Orient FRC Ltd;

4. Use of estimates and judgements (continued)

- On 24 August 2017 Aurora advised that it was considering the potential impact of this investment on the takeover bid;
 - On 26 October 2017 Aurora advised that it had decreased the bid consideration to \$0.135 per share;
 - On 12 January 2018, AFARF extended the takeover offer and increased the bid consideration to \$0.153 per share conditional on certain matters.
- c. Valuation considerations
- MPO was suspended from trading on the ASX at 31 May 2017, but resumed trading on 3 July 2017;
 - The decision by the Takeover's Panel was known at the time of its resumption to trading on the 3 July 2017 and the subsequent trading that took place in MPO shares, so the effect of the divestment order would be largely 'priced in' from this time;
 - MPO resumed trading on 3 July 2017 with no volume. On 4 July 2017, 87,543 shares were traded at \$0.12. Management is of the view it would be unreasonable to value MPO on the basis of \$10,505 shares traded on 3 July 2017;
 - There has been trading in MPO shares between 4 July 2017 to 21 July 2017 ranging from \$0.12 to \$0.145 per share. Total volume during this period totaled 708,737 shares valued at \$95,570;
 - The VWAP for the period from 4 July 2017 to 21 July 2017 is \$0.135. The VWAP is the volume weighted average price (calculated based on the sum of traded value divided by the sum of traded volume); and
 - Accordingly, for the purposes of 31 December 2017 interim financial statements, and after careful consideration of the available information, management has considered the range of possible values and determined that the fair value of Molopo can be reasonably estimated to be \$0.135 per share as at 31 December 2017.

5. Fair value measurement

The Trust measures and recognises the following assets and liabilities at fair value on a recurring basis through profit or loss (FVTPL).

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

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

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

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

5. Fair value measurement (continued)

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

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

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

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

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

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Trust holds.

Notes to the Financial Statements

5. Fair value measurement (continued)

The following table presents the Trust's assets and liabilities measured and recognised as at the half-year ended 31 December 2017 and the year ended 30 June 2017.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2017				
Financial assets				
Financial assets held for trading:				
Derivatives	3,484	-	-	3,484
Financial assets designated at fair value through profit or loss:				
Equity securities	3,126,826	1,724,176	-	4,851,002
Total financial assets	3,130,310	1,724,176	-	4,854,486
Financial liabilities				
Financial liabilities held for trading:				
Equity securities sold short	13,650	-	-	13,650
Derivatives	31,142	-	-	31,142
Total financial liabilities	44,792	-	-	44,792
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2017				
Financial assets				
Financial assets held for trading:				
Derivatives	111,000	-	-	111,000
Financial assets designated at fair value through profit or loss:				
Equity securities	2,720,739	1,724,177	-	4,444,916
Total financial assets	2,831,739	1,724,177	-	4,555,916
Financial liabilities				
Financial liabilities held for trading:				
Derivatives	-	-	-	-
Equity securities	587,383	-	-	587,383
Total financial liabilities	587,383	-	-	587,383

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

Transfers between levels

There have been no transfers between levels for the half-year ended 31 December 2017 and the year ended 30 June 2017.

Notes to the Financial Statements

6. Net assets attributable to unitholders

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

	31 December 2017 No.	30 June 2017 No.	31 December 2017 \$	30 June 2017 \$
Opening balance	6,940,077	6,528,658	4,240,867	4,997,204
Applications	2,542,668	2,363,578	1,567,052	1,878,845
Redemptions	(1,414,843)	(1,534,235)	(825,057)	(1,166,739)
Buy backs	-	(461,461)	-	(358,845)
Units issued upon reinvestment of distributions	49,268	43,537	30,562	33,541
Increase/(decrease) in net assets attributable to unitholders	-	-	(412,454)	(1,143,139)
Closing balance	8,117,170	6,940,077	4,600,970	4,240,867

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

7. Distributions to unitholders

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

	Half-year ended			
	31 December 2017 \$	31 December 2017 cpu	31 December 2016 \$	31 December 2016 cpu
Distributions paid	85,835	1.24	83,917	1.53
Distributions payable	99,841	1.23	115,300	1.53
Other distributions payable from previous quarters	-		1,111	
Total distributions	185,676		200,328	

The Trust distributes all its net income each year to unitholders. The Trust distributes 2% of the Net Asset Value ("NAV") per unit each quarter. Should the Trust not generate sufficient net income to cover the distribution in any financial year, then part or all of any distribution may be a return of capital.

8. Cash and cash equivalents

	As at	
	31 December 2017 \$	30 June 2017 \$
Cash at bank	53,359	963,371
Total cash and cash equivalents	53,359	963,371
Bank overdraft	-	(264,545)
Total bank overdrafts	-	(264,545)

Notes to the Financial Statements

9. Financial assets held at fair value through profit or loss

	As at	
	31 December 2017 \$	30 June 2017 \$
Held for trading		
Derivatives		
Warrants	-	100,494
Options	3,484	10,506
Total held for trading	3,484	111,000
Designated at fair value through profit or loss		
Equity securities		
Listed Australian equity securities	4,698,595	3,332,139
International equity securities	152,407	1,112,777
Total designated at fair value through profit or loss	4,851,002	4,444,916
Total financial assets held at fair value through profit or loss	4,854,486	4,555,916

10. Financial liabilities held at fair value through profit or loss

	As at	
	31 December 2017 \$	30 June 2017 \$
Held for trading		
Derivatives		
Future	31,142	-
Swaps	-	-
Total held for trading	31,142	-
Designated at fair value through profit or loss		
Equity securities		
Listed Australian equity securities	13,650	80,793
International equity securities	-	506,590
Total designated at fair value through profit or loss	13,650	587,383
Total financial liabilities held at fair value through profit or loss	44,792	587,383

11. Related party transactions

Responsible Entity

The Responsible Entity of Aurora Global Income Trust is Aurora Funds Management Limited. In the period to 31 December 2017, Aurora Funds Management Limited acquired units in Aurora Global Income Trust, as set out below.

Key management personnel unitholdings

No key management personnel of Aurora Global Income Trust held units in the Trust.

Key management personnel compensation

Key management personnel are paid by Aurora Funds Management Limited. Payments made from the Trust to Aurora Funds Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

Notes to the Financial Statements

11. Related party transactions (continued)

Related party unitholdings

The interests in the Trust held by other management investment schemes also managed by the Responsible Entity are shown as follows:

31 December 2017	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed	Distributions paid/payable by the Trust
Aurora Fortitude Absolute Return Fund	1,378,988	1,378,988	778,301	16.99%	-	-	19,244

30 June 2017

Aurora Fortitude Absolute Return Fund	-	1,378,988	857,731	19.87%	1,378,988	-	63,571
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The interests in the Trust held by the Responsible Entity are shown as follows:

31 December 2017	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed	Distributions paid/payable by the Trust
Aurora Funds Management Limited	124,362	124,362	70,910	1.53%	-	-	3,072

30 June 2017

Aurora Funds Management Limited	-	124,362	77,353	1.79%	124,362	-	5,733
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Other related party information

Seventh Orion

Seventh Orion Pty Ltd as Trustee for the Aurora Investments Unit Trust (Seventh Orion) owns 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity of Aurora Dividend Income Trust.

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

Directorships

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

- Mr Patton was appointed to the Board of Keybridge Capital Limited as a Non-Executive Director on 10 August 2016 and was subsequently appointed to the role of Executive Chairman on 13 October 2016. The Trust holds an investment in Keybridge Capital Limited of \$168,769 (June 2017: \$142,686); and
- Mr Patton was appointed to the Board of Metgasco Limited as a Non-Executive Director on 19 September 2016. The Trust holds an investment in Metgasco Limited of \$nil (June 2017: \$179,887)

Notes to the Financial Statements

11. Related party transactions (continued)

Investments

The Trust holds the following scheme which are also managed by the Responsible Entity

	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed	Distributions paid/payable by the Trust
31 December 2017							
HHY Fund	-	12,536,419	1,504,370	15.11%	12,536,419	-	-
30 June 2017							
HHY Fund	-	-	-	-	-	-	-

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

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

- Investment fee payable to the investment manager is 1.3325% (including GST) per annum; and
- Performance fee that is equal to 20.5% (including GST) per annum of the gross performance (net of fees) over the RBA cash rate (the benchmark) subject to a high water mark.

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

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

	Half-year ended	
	31 December 2017	31 December 2016
	\$	\$
Management fees for the half-year paid/payable by the Trust to the Responsible Entity	30,811	29,219
Responsible Entity fees for the half-year paid/payable by the Trust to the Responsible Entity	33,886	-
Other expenses for the half-year paid/payable by the Trust to the Responsible Entity	291,933	71,689
Aggregate amount payable to the Responsible Entity at the end of the reporting period	262,693	6,582

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

12. Other operating expenses

	Half-year ended	
	31 December 2017	31 December 2016
	\$	\$
Legal Expenses	177,445	108,316
Other operating expenses	114,488	71,689
Total other operating expenses	291,933	180,005

13. Contingent assets and liabilities

There were no contingent assets and liabilities at 31 December 2017 (30 June 2017: Nil).

14. Events occurring after the reporting period

Other than the events mentioned in the Directors' Report, no significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the Condensed Statement of Financial Position as at 31 December 2017 or on the results and cash flows of the Trust for the half-year ended on that date.

Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached condensed financial statements are in compliance with International Financial Reporting Standards as stated in Note 3 to the condensed financial statements;
- (c) In the directors' opinion, the attached condensed financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- (d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001*.

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

On behalf of the Responsible Entity, Aurora Funds Management Limited.



John Patton
Managing Director
28 February 2018

Collins Square, Tower 1
727 Collins Street
Docklands Victoria 3008

Independent Auditor's Review Report to the Unitholders of Aurora Global Income Trust

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Conclusion

We have reviewed the accompanying half year financial report of Aurora Global Income Trust (the Entity), which comprises the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Aurora Global Income Trust does not give a true and fair view of the financial position of the Entity as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Responsibilities of the Directors of the Responsible Entity ("RE") for the Half Year Financial Report

The Directors of the RE are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Entity's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aurora Global Income Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 28 February 2018