

27 September 2018

BY ELECTRONIC LODGEMENT

Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

UPDATE TO RESULTS FOR ANNOUNCEMENT TO THE MARKET

Aurora Funds Management Limited, as responsible entity for Aurora Global Income Trust, lodged an Appendix 4E Preliminary Final Report with the ASX on 31 August 2018.

The Annual Report of the Aurora Global Income Trust for the year ended 30 June 2018 was signed by the Directors of Aurora Funds Management Limited, in its capacity as responsible entity for the Aurora Global Income Trust, on 27 September 2018, a copy of which is attached.

Between 31 August 2018 and 27 September 2018, material information came to light regarding Aurora Global Income Trust's investment in Molopo Energy Limited which caused the Directors of Aurora Funds Management Limited, as responsible entity for the Aurora Global Income Trust, to determine a fair value of 2.6 cents per share in Molopo Energy Limited. This represents a decrease of 1 cent per share from the valuation on which the Appendix 4E Preliminary Final Report to the Australian Securities Exchange was based of 3.6 cents per share.

The differences between the Appendix 4E Preliminary Final Report to the Australian Securities Exchange issued on 31 August 2018 and the Annual Report for Aurora Global Income Trust issued on 27 September 2018 are detailed below.

Statement of profit or loss and other comprehensive income

Net foreign currency gains/(losses)

| | |
|---|----------|
| Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 31 st August 2018 | (11,523) |
| Reclassification of Net foreign currency losses to include in Net losses on financial instruments held at fair value through profit or loss consistent with prior years | 11,523 |
| Disclosure per the Annual Report of Aurora Global Income Trust for the year ended 30 June 2018 | - |

Net losses on financial instruments held at fair value through profit or loss

| | |
|---|--------------------|
| Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 31 st August 2018 | (1,998,160) |
| Effect of decrease in fair value of investment in Molopo Energy Limited at 30 June 2018 | (127,717) |
| Reclassification of Net foreign currency losses to include in Net losses on financial instruments held at fair value through profit or loss consistent with prior years | (11,523) |
| Disclosure per the Annual Report of Aurora Global Income Trust for the year ended 30 June 2018 | (2,137,400) |

Operating profit/(loss) for the year

| | |
|--|--------------------|
| Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 31 st August 2018 | (2,411,538) |
| Effect of decrease in fair value of investment in Molopo Energy Limited at 30 June 2018 | (127,717) |
| Disclosure per the Annual Report of Aurora Global Income Trust for the year ended 30 June 2018 | (2,539,255) |

Decrease in net assets attributable to shareholders

| | |
|--|------------------|
| Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 31 st August 2018 | 2,696,043 |
| Effect of decrease in fair value of investment in Molopo Energy Limited at 30 June 2018 | 127,717 |
| Disclosure per the Annual Report of Aurora Global Income Trust for the year ended 30 June 2018 | 2,823,760 |

Statement of financial position**Financial assets held at fair value through profit or loss**

| | |
|--|------------------|
| Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 31 st August 2018 | 1,989,713 |
| Effect of decrease in fair value of investment in Molopo Energy Limited at 30 June 2018 | (127,717) |
| Disclosure per the Annual Report of Aurora Global Income Trust for the year ended 30 June 2018 | 1,861,996 |

Net assets attributable to unitholders - liability

| | |
|--|------------------|
| Disclosure per Appendix 4E Preliminary Final Report to the Australian Securities Exchange 31 st August 2018 | 1,862,210 |
| Effect of decrease in fair value of investment in Molopo Energy Limited at 30 June 2018 | (127,717) |
| Disclosure per the Annual Report of Aurora Global Income Trust for the year ended 30 June 2018 | 1,734,493 |

Yours sincerely,



Adrian Tilley
 Company Secretary
 Aurora Funds Management Limited as responsible entity for
 Aurora Global Income Trust

Aurora Global Income Trust
ARSN 127 692 406

Annual Report
For the year ended 30 June 2018

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Directors' Report

The Directors of Aurora Funds Management Limited (AFML) (ABN 69 092 626 885), in its capacity as the responsible entity of Aurora Global Income Trust ("the Trust"), present their annual report together with the financial statements of the Trust for the year ended 30 June 2018.

Principal activities

The Trust invests in equities and derivatives, in accordance with the provision of the Trust Constitution and the current Product Disclosure Statement ("PDS").

The Trust did not have any employees during the year.

There were no significant changes in the nature of the Trust's activities during the year. The Trust is currently listed on the Australian Security Exchange (ASX: AIB).

Directors

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

John Patton
Victor Siciliano (appointed 9 January 2018)
Anthony Hartnell AM (appointed 2 March 2018)
Jeffrey E. Schwarz (appointed 25 July 2017 and resigned 31 May 2018)
Betty Poon (terminated 25 November 2017)
Jim Hallam (resigned 25 July 2017)

Units on issue

| | 2018 | 2017 |
|------------|-----------|-----------|
| At 30 June | 7,290,578 | 6,940,077 |

Review and results of operations

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

Financial results for the year

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

| | 2018 | 2017 |
|---|-------------|-----------|
| | \$ | \$ |
| Operating profit before finance costs attributable to unitholders | (2,539,255) | (599,589) |
| Distributions paid and payable | 284,505 | 415,834 |
| Distribution (cents per unit) 30 September | 1.24 | 1.53 |
| Distribution (cents per unit) 31 December | 1.23 | 1.53 |
| Distribution (cents per unit) 31 March | 1.13 | 1.54 |
| Distribution (cents per unit) 30 June | 0.23 | 1.54 |

Financial position

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

| | 2018 | 2017 |
|--------------------|------|------|
| | \$ | \$ |
| At 30 June | 0.25 | 0.62 |
| High during period | 0.61 | 0.84 |
| Low during period | 0.25 | 0.62 |

Directors' Report

Reconciliation of net assets for unit pricing and financial reporting purposes

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

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Net assets for unit pricing purposes | 1,751,261 | 4,436,031 |
| Difference between net assets for unit pricing purposes and bid/ask price held at fair value through profit or loss | - | (76,074) |
| Distribution payable | (16,768) | (119,090) |
| Net assets under Australian Accounting Standards | 1,734,493 | 4,240,867 |

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 and RNY Property Trust

The Fund holds investments in Molopo Energy Limited (ASX: MPO) and RNY Property Trust (ASX: RNY). For the year ended 30 June 2018, the Fund has adopted significant judgements and estimates to fair value of these investments. The key sources of estimation uncertainty and fair value measurement in relation to MPO and RNY are outlined in Notes 4 and 7.

Matters subsequent to the end of the financial year

RNY Property Trust (ASX:RNY)

RNY is a property trust (with commercial property assets located in New York, USA) listed on the Australian Stock Exchange. As at 30 June 2018, the Fund holds 1.18% of the issued capital of RNY Property Trust.

Directors' Report

On 2 July 2018, ASIC approved Huntley Management Services Limited ("Huntley") replacing RAML as the RE of RNY. As part of this change in RE, Huntley appointed Aurora as Investment Manager of RNY. As Investment Manager, Aurora has been responsible for renegotiating the existing loans with the US financier, Acore Capital, being the provider of non-recourse finance to the underlying properties. Aurora has also appointed Winthrop, being a New York based property management firm familiar with the assets, to manage the properties in a manner that will deliver superior returns to RNY unitholders compared to RAML's previous 'asset realisation' strategy.

Other than the changes mentioned above, no other matters or circumstances have arisen since 30 June 2018 that have 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 have been 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 year are disclosed in the 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 year.

The number of units in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in Note 12 of the financial statements.

The values of the Trust's assets and liabilities are disclosed on the Statement of Financial Position and derived using the accounting policies set out in Note 6 to Note 11 of the financial statements.

Environmental regulation

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

Information about the directors

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

Directors' Report

| | |
|---|---|
| Name: | John Patton |
| Title: | Managing Director |
| Qualifications: | Bachelor of Economics (Accounting), Chartered Accountant, Graduate Diploma in Applied Finance and Investment |
| Experience and expertise: | John was appointed as Managing Director of Aurora Funds Management Limited on 30 June 2016. John was previously a partner with Ernst & Young in the Transactions Advisory Services division and has over 25 years of professional services and industry experience. John has extensive corporate finance credentials, having been involved in over 250 corporate transactions, including mergers & acquisitions, structuring, debt & equity raisings, IPO's, management buy-outs, valuations, due diligence, financial modelling, restructuring and corporate advisory. |
| Other current directorships: | Keybridge Capital Limited; Metgasco Ltd |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | Managing Director |
| Interests in units: | None |
| Name: | Victor Siciliano |
| Title: | Executive Director |
| Qualifications: | Bachelor of Business (Banking & Finance), Master of Applied Finance (Investment Management), RG146 compliant. |
| Experience and expertise: | Victor was appointed as Executive Director of Aurora Funds Management Limited on 9 January 2018. Victor has over 9 years' equity market experience, most recently as portfolio manager of the HHY Fund at Keybridge Capital Limited. Prior to this, Victor was employed as an assistant portfolio manager at boutique fund manager Sterling Equity and as an investment advisor at Macquarie Group. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | Investment Manager |
| Interests in units: | None |
| Name: | Anthony Hartnell AM |
| Title: | Non-Executive Director |
| Qualifications: | BEc LLB (Hons) (ANU), LLM (Highest Hons) (George Washington University) |
| Experience and expertise: | Anthony was appointed as Non-Executive Director of Aurora Funds Management Limited on 2 March 2018. Anthony has over 30 years of legal experience with expertise in Corporate and Commercial Law, particularly, regulatory issues, corporate financing, takeovers, trade practices and collective investments, with more recent emphasis on investigations and enforcement actions. |
| Other current directorships: | Molopo Energy Limited, Allegra Orthopaedics Limited and Parnell Pharmaceuticals Holdings Ltd. |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | Member of Compliance Committee, Chairman |
| Interests in units: | None |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorship of all other types of entities, unless otherwise stated.

Directors' Report

Board and Committee meetings

| Director | Full Board | | Compliance Committee | |
|---------------------|------------|----------|----------------------|----------|
| | Held | Attended | Held | Attended |
| John Patton | 26 | 26 | - | - |
| Victor Siciliano | 7 | 7 | - | - |
| Anthony Hartnell AM | 5 | 4 | 4 | 1* |
| Jeffrey E. Schwarz | 23 | 22 | - | - |
| Betty Poon | 11 | 11 | 4 | 1** |
| Jim Hallam | 4 | 4 | - | - |

Held: represent the number of meetings held during the time the director held office.

* Anthony Hartnell was appointed to the Compliance Committee on 20 June 2018.

** Betty Poon was terminated on 27 November 2017.

Interests held by the Responsible Entity and Directors

The number of units in the Trust held by the Responsible Entity, their related parties and Directors at the date of this report are disclosed in Note 16 to the financial statements.

Proceedings on behalf of the Company

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 year.

Auditor's independence declaration

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

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

On behalf of the directors



John Patton
Managing Director
27 September 2018
Melbourne

Auditor's Independence Declaration

To the Directors of Aurora Funds Management Limited as the Responsible Entity of
Aurora Global Income Trust

I In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Aurora Global Income Trust for the year ended 30 June 2018, 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 27 September 2018

Financial Statement

Statement of profit or loss and other comprehensive income For the year ended 30 June 2018

| | Note | 2018 \$ | 2017 \$ |
|---|-------|--------------------|------------------|
| Investment Income | | | |
| Interest income | | 1,507 | 37,505 |
| Dividend and distribution income | | 55,105 | 87,551 |
| Other income | | 78,771 | - |
| Net losses on financial instruments held at fair value through profit or loss | | (2,137,400) | (264,984) |
| Total net investment (loss)/income | | (2,002,017) | (139,928) |
| Expenses | | | |
| Dividend expense | | 3,086 | 9,084 |
| Interest expense | | 7,079 | 10,060 |
| Management fees | 16 | 50,338 | 61,295 |
| Responsible Entity fees | 16 | 67,773 | - |
| Transaction costs | | 4,300 | 7,294 |
| Other operating expenses | 14(a) | 158,962 | 221,728 |
| Legal costs | 14(b) | 245,700 | - |
| Takeover costs | 14(c) | - | 162,679 |
| Takeover panel costs | 14(d) | - | 97,329 |
| Unitholder meeting costs | 14(e) | - | 17,908 |
| Total operating expenses | | 537,238 | 587,377 |
| Operating profit/(loss) for the year | | (2,539,255) | (727,305) |
| Finance costs attributable to unitholders | | | |
| Distributions to unitholders | 13 | (284,505) | (415,834) |
| Decrease in net assets attributable to unitholders | 12 | 2,823,760 | 1,143,139 |
| Profit/(loss) for the year | | - | - |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | - | - |
| Earnings/(loss) per unit (basic/ diluted) | | (0.330) | (0.111) |

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

Financial Statement

Statement of financial position As at 30 June 2018

| | Note | 2018 \$ | 2017 \$ |
|---|------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 9 | 1,062 | 963,371 |
| Receivables | | 18,128 | 19,403 |
| Due from brokers - receipts for securities sold | | - | 46,693 |
| Financial assets held at fair value through profit or loss | 10 | 1,861,996 | 4,555,916 |
| Total assets | | 1,881,186 | 5,585,383 |
| Liabilities | | | |
| Bank overdrafts | 9 | - | 264,545 |
| Distributions payable | 13 | 16,768 | 119,090 |
| Due to brokers - payable for securities purchased | | - | 276,251 |
| Financial liabilities held at fair value through profit or loss | 11 | - | 587,383 |
| Other payables | | 129,925 | 97,247 |
| Total liabilities (excluding net assets attributable to unitholders) | | 146,693 | 1,344,516 |
| Net assets attributable to unitholders – liability | 12 | 1,734,493 | 4,240,867 |
| Liabilities attributable to unitholders | | (1,734,493) | (4,240,867) |
| Net assets | | - | - |

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

Financial Statement

Statement of changes in equity For the year ended 30 June 2018

| | Note | 2018 \$ | 2017 \$ |
|--|------|------------|------------|
| Balance at the beginning of the financial year | | | |
| Profit/(loss) for the year | | - | - |
| Other comprehensive income | | - | - |
| Total comprehensive income | | - | - |
| Transactions with unitholders in their capacity as unitholders | | - | - |
| Total equity at the end of the financial year | | - | - |

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

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

Financial Statement

Statement of cash flows For the year ended 30 June 2018

| | Note | 2018 \$ | 2017 \$ |
|---|-------|------------------|--------------------|
| Cash flows from operating activities | | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | 2,459,197 | 9,232,864 |
| Purchase of financial instruments held at fair value through profit or loss | | (2,719,612) | (11,759,247) |
| Transaction costs on sale and purchase of financial instruments | | (3,086) | (7,649) |
| Dividends and distributions received | | 55,105 | 94,086 |
| Dividends and distributions paid | | - | (7,669) |
| Other income received | | 78,771 | - |
| Interest received | | 1,507 | 31,089 |
| GST recovered/(paid) | | 1,275 | - |
| Management fees paid | | (50,659) | (68,542) |
| Responsible entity fees paid | | (25,057) | (68,810) |
| Other expenses paid | | (429,271) | (416,900) |
| Net cash (outflow)/inflow from operating activities | 17(a) | (631,830) | (2,970,778) |
| Cash flows from financing activities | | | |
| Payments for redemptions by unitholders (excluding treasury units) | | 1,643,819 | 1,878,845 |
| Proceeds from applications by unitholders (excluding treasury units) | | (1,326,433) | (1,284,093) |
| Payments for share buy backs | | - | (241,491) |
| Distributions paid | | (386,827) | (373,196) |
| Other | | 3,507 | - |
| Net cash (inflow)/outflow from financing activities | | (65,934) | (19,935) |
| Net (decrease)/increase in cash and cash equivalents | | (697,764) | (2,990,713) |
| Cash and cash equivalents at the beginning of the year | | 698,826 | 3,689,539 |
| Cash and cash equivalents at the end of the year | 9 | 1,062 | 698,826 |
| Non-cash financing activities | 17(b) | 75,892 | 33,541 |

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

Notes to Financial Statements

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Notes to Financial Statements

Note 1. General information

These 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, Level 6, 370 St Kilda Road, Melbourne VIC 3004. The financial statements are presented in Australian currency.

It is recommended that these financial statements are considered together with the current Product Disclosure Statement and in accordance with the provisions of the governing documents of the Trust, and any public announcements made by the Trust during the year ended 30 June 2018 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

The principal activities of the Trust during the financial year were managing its investment strategy in accordance with the provisions of the Trust Constitution, the Product Disclosure Statement and Trust updates.

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

Note 2. 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.

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 2018. 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.

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.

Notes to Financial Statements

Note 2. Adoption of new and revised Accounting Standards

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; allocate 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 recognise 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.

Note 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust'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.

Notes to Financial Statements

Note 3. Significant accounting policies (continued)

Receivables

Receivables may include amounts for dividends, interest, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally due for settlement within 30 days of being recorded as receivables.

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

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

Due from/to brokers

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

Payables

All expenses, including Responsible Entity's fees, Management fees, audit and tax fees and other operating expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis. Unpaid amounts are recognised in the Statement of Financial Position as other payables.

Investment income

Interest income is recognised in profit or loss for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 6.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts when it is probable that the economic benefit will flow to the Trust and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Dividend income is recognised on the ex-dividend date, inclusive of any related foreign withholding tax. The Trust currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to Financial Statements

Note 3. Significant accounting policies (continued)

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date. Trust distributions are recognised on an entitlements basis.

Expenses

All expenses, including Responsible Entity's fees, Management fees, audit and tax fees and other operating expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

Goods and Services Tax ('GST')

The GST incurred on the costs of various services provided to the Trust by third parties, have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITCs) at a rate of 55% or 75%; hence management fees, custodial fees and other expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust. The benefit of imputation credits and foreign tax paid is passed on to unitholders.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Trust's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Trust competes for funds and is regulated. The Australian dollar is also the Trust's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of Profit or Loss and Other Comprehensive Income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

1. Molopo Energy Limited (ASX: MPO)

As at 30 June 2018, AIB held an investment in the ordinary shares of MPO, which was suspended from trading on the Australian Stock Exchange on 27 July 2017 and remains suspended as at the date of this report.

Notes to Financial Statements

Note 4. Critical accounting judgements, estimates and assumptions (continued)

On 12 September 2017, Aurora Fortitude Absolute Return Fund ("AFARF") announced an off-market takeover bid for 100% of the shares in Molopo at a price of \$0.135 (13.5 cents) per share through a combination of cash (capped at \$5 million) and units in AFARF.

On 8 May 2018, Molopo disclosed a number of transactions which were in excess of the 'no material transaction or series of transactions of more than \$2 million' defeating condition of AFARF's bid, specifically:

- "On 30 January 2018, Orient redeemed all of the JV Partner's shares in Orient for a redemption amount of USD\$7 million (Orient Redemption), resulting in the shares of the JV Partner in Orient being cancelled and Orient becoming a wholly-owned subsidiary of Molopo";
- "Following completion of the Orient Redemption, Molopo has sole funded the remaining amounts required by the Orient Project, in accordance with its current budget for the project, in an aggregate amount of USD\$21 million (Orient Funding)";
- "On 21 February 2018, Orient entered into a contribution agreement with Drawbridge Energy Holdings Ltd (Drawbridge) pursuant to which it agreed to (i) transfer its 100% interest in Orient FRC (US) LLC (Orient US), a wholly owned subsidiary of Orient; and (ii) assign Orient's interest in the Orient Project to Orient US at completion, in consideration for a 30% interest in Drawbridge (Combination Transaction)"; and
- USD\$21 million was funded by way of intercompany loan from Orient to Orient US. Following completion of the Combination Transaction on or about 7 March 2018, the loan from Orient to Orient US was extinguished.

Following completion of the Combination Transaction, Molopo reported that it had \$16.904 million of cash as at 31 March 2018.

On 11 May 2018, Aurora submitted an application to the Takeovers Panel in relation to the affairs of Molopo seeking a Declaration of Unacceptable Circumstances in relation to the Orient / Drawbridge Transactions. Amongst other things, Aurora submitted:

1. that:
 - (a) the transactions and events described in the 8 May 2018 ASX announcement constituted frustrating actions and should have been subject to shareholder approval;
 - (b) there were disclosure deficiencies in Molopo's Target Statement and Supplementary Target Statements;
 - (c) Molopo failed to comply with its continuous disclosure obligations; and
 - (d) the conduct of Molopo's (now former) directors in relation to, and the nature of, the transactions, and other circumstances, gave rise to serious concerns regarding the transactions.
2. the cumulative effect of the transactions and events was to inhibit the acquisition of control over voting shares in Molopo taking place in an efficient, competitive and informed market.
3. it appeared that Molopo had misled the Takeovers Panel in prior Takeover Panel proceedings regarding the urgency and use of the US\$4.5 million shareholder loan to Orient.
4. in relation to the Orient / Drawbridge Transactions, that certain circumstances "point to the transaction being a sham", including the uncommercial structure of the transaction, the speed at which and the secrecy with which it had been consummated, the lack of oil and gas experience of the Former Directors and the disregard for the ASX Listing Rules.
5. it sought an order that all transactions that are capable of being unwound be unwound. If that order was not made (or complied with) and Aurora withdrew its bid due to the frustrating actions, it sought an order for costs associated with its bid.

On 8 June 2018, the Takeovers Panel made a Declaration of Unacceptable Circumstances in relation to the Orient / Drawbridge Transactions and subsequently ordered Molopo to pay a portion of the costs necessarily, properly and reasonably incurred by Aurora, however did not order that the Drawbridge /Orient transaction be unwound.

Notes to Financial Statements

Note 4. Critical accounting judgements, estimates and assumptions (continued)

On 1 August 2018, the new Molopo Board, who were elected at the Company's Annual General Meeting on 31 May 2018, made the following comments in the recent Quarterly Activities Report released by Molopo:

"Following a detailed review of the Orient/Drawbridge Transactions, the current Directors of Molopo cannot see any logical or commercial reason for entering into these transactions.

*The Transactions resulted in the Company's cash reserves being depleted from **A\$66.2 million** at 30 June 2017 to **A\$15 million** as at 30 June 2018.*

The Former Directors proceeded with these transactions without seeking shareholder approval, resulting in a breach of ASX Listing Rules, as well as breaching ASX continuous disclosure obligations and the Corporations Act."

On 10 August 2018, Aurora made an ASX Announcement advising of its decision to not declare AFARF's takeover bid free from its defeating conditions and therefore to withdraw the AFARF takeover bid.

In light of the above, Aurora considers that the actions of the former Molopo directors have substantially and adversely affected the value of Molopo's assets. As such, Aurora has considered the carrying value of its investment in Molopo and has decided to write the value of its investment down from 13.5 cents to 2.6 cents. The rationale for this decision is summarised below:

- Today, Molopo's primary assets comprise its cash reserves (A\$15 million as at 30 June 2018) and its shareholding in Drawbridge. Molopo's shareholding in Drawbridge, being a 30% shareholding with no voting rights and limited rights to appoint a representative director, was reported to have gross cash of US\$14.07 million, investment and other assets of US\$4.41 million, current liabilities of US\$0.29 million and net assets of US\$18.2 million (A\$24.06 million) as at 31 March 2018; against which the projected cash outflows for the 6 month period between April and September 2018 was estimated to be US\$6.61 million (gross) or US\$1.1 million (A\$1.46 million) per month. Molopo's 30% share of the net balance equates to A\$5.235 million.
- Molopo's primary liability relates to a long-standing legal action in Canada concerning the Company and Molopo Energy Canada Ltd ("MECL"), a wholly owned subsidiary of the Company. According to the most recent financial statements released by Molopo, being the annual audited financial statements for the year ended 31 December 2017, which were released by Molopo on 8 May 2018, there was no change to the long standing provision of A\$8.6 million, with the following commentary being provided:

In March 2011, MECL was served with a statement of claim by a former joint venture partner (3105682 Nova Scotia ULC) "310 ULC" claiming MECL breached various agreements relating to the relevant joint venture, including breach of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$35.0 (A\$35.9) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Subsequent to the filing of the statement of defence, the Company undertook an extensive examination of the transactions that gave rise to the amounts in dispute. This examination resulted in the Company applying a provision in the accounts in 2012 of a net C\$5.0 (A\$5.1) million. In early 2013, the JV Partner settled a counterclaim by making a payment of C\$3.4 (A\$3.5) million to the Company, at which time the Company increased the provision to C\$8.4 (A\$8.6) million.

The matter is continuing in the ordinary course with the Court. No court date has yet been set and the standard preparatory litigation processes are being undertaken.

The movement in the past two years in the provision for legal claim arises solely from fluctuations in foreign exchange rates in the period. The Board is satisfied that the progress of the litigation process has not provided evidence to suggest the C\$8.4 (A\$8.6) million provision is inappropriate. The Board therefore considers the provision to be appropriate.

Notes to Financial Statements

Note 4. Critical accounting judgements, estimates and assumptions (continued)

- Molopo currently has 249,040,648 ordinary shares on issue;
- Based on the above, Aurora considers the appropriate carrying value of its investment in Molopo to be calculated as follows:
 - cash reserves of \$15 million; less
 - litigation provision of \$8.6 million;
 - divided by 249,040,648 ordinary shares on issue;
 - the total estimated value equates to a value of **2.6 cents per share**
- As more information is released by Molopo on the Drawbridge shareholding as well as the Canadian litigation, it may be appropriate for Aurora to revisit the carrying value of its Molopo investment.

The fair value of Aurora's investment in Molopo is based on significant estimates and judgements adopted by management of Aurora based on all available information about Molopo as at the date of the 30 June 2018 financial report.

In addition to the application made by Aurora to the Takeovers Panel, Aurora is pursuing other avenues to recover value that has been lost by the former directors of Molopo.

2. RNY Property Trust (ASX: RNY)

RNY has been valued at \$0.013 in the financial statements of AIB, rather than the most recent traded prices. This is due to the following:

- While the last ASX traded price for RNY was \$0.006, this was on very limited traded volumes. In the period from 1 January 2018 to 30 June 2018 only \$19,886 (dollars) has traded on the ASX (see attachment). Accordingly, Aurora considers that the recently traded prices have not occurred in a liquid market and therefore do not provide adequate price discovery.
- As per the current terms of the loan provided to RNY Australia Operating Company LLC (US LLC), the loan is non-recourse to the US LLC and RNY. Since 1 January 2017, the loan has been in default with the US LLC accruing default interest which as at 30 June 2018 totalled USD\$4.4 million.
- Aurora owns 80.96% of the units in RNY, which in turn owns 100% of RNY Australia LPT Corp (Maryland REIT) which in turn owns 75% of RNY Australia Operating Company LLC (US LLC) (refer org chart). As at 30 June 2018, the Maryland REIT had unencumbered cash of approximately USD \$4.2 million (less payables of circa US\$0.67million as at 30 June 2018). On a wind up of the Maryland REIT, the cash available to RNY unitholders would be approximately USD\$3.5 million, with Aurora's 80.96% share amounting to USD\$2.8 million (AUD\$3.9 million), which is greater than the carrying value of AUP's investment at 30 June 2018 of AUD\$2.6 million (based on \$0.013 per unit price).

Subsequent to 30 June 2018, the loan was renegotiated with the financier, Acore. The loan remains non-recourse with Acore only having recourse to the properties. Pursuant to the binding Terms Sheet signed with Acore on 16 July 2018, the default interest (mentioned previously) is being waived.

Notes to Financial Statements

Note 5. Operating segments

Identification of reportable operating segments

The Trust comprised the single business segment which operates solely in the business of investment management within Australia. While the Trust operates within Australia only (the geographical segment), the Trust may have asset exposures in different countries and across different industries.

Operating segment information

As the Trust operates in a single business and geographic segment, these financial statements represent the required financial information of that segment.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM') which has been identified as the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 6. Financial Instruments

Capital risk management

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Trust is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Trust Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

Financial risk management

The Trust's activities expose it to a variety of financial risks which is reflected in the Trust's net gains/losses: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Trust's overall risk management program focusses on ensuring compliance with the Trust's Product Disclosure Statement and seeks to maximize the returns derived for the level of risk to which the Trust is exposed. Financial risk management is carried out by the investment management department of the Responsible Entity under policies approved by the Board of Directors of the Responsible Entity ("the Board").

The Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

(a) Market risk

(i) Price risk

Price risk is the risk that the value of the Trust's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by the Responsible Entity through ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly by the investment manager on a total portfolio basis, which includes the effect of any derivatives.

The Trust is exposed to equity securities and derivative securities price risk. This arises from investments held by the Trust for which prices in the future are uncertain. Investments are classified in the Statement of Financial Position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

Notes to Financial Statements

Note 6. Financial Instruments (continued)

A sensitivity analysis was performed showing how the effect of a 10% increase (2017: 10%) and a 10% decrease (2017: 10%) in market prices would have increased/decreased the impact on operation profit/net assets attributable to unitholders as at 30 June 2018. The results of this analysis are disclosed in Note 6(b).

(ii) Foreign exchange risk

Certain transactions are denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The Trust has exposure to foreign exchange risk on international equity securities and cash accounts denominated in foreign currencies.

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The table below summarise the Trust's assets and liabilities (monetary and non-monetary), which are denominated in a currency other than the Australian dollar.

| | United States Dollar | British Pounds | Swiss Franc | Europe Euro | Other* |
|---|----------------------|----------------|-------------|-------------|--------------|
| 30 June 2018 | | | | | |
| Assets | AUD | AUD | AUD | AUD | AUD |
| Cash and cash equivalents | 22 | - | - | - | - |
| Receivables | - | - | - | - | - |
| Financial assets held at fair value through profit or loss | - | - | - | - | 2,124 |
| Total assets | 22 | - | - | - | 2,146 |
| Liabilities | | | | | |
| Bank overdrafts | - | - | - | - | - |
| Financial liabilities held at fair value through profit or loss | - | - | - | - | - |
| Other payables | - | - | - | - | - |
| Total liabilities (excluding net assets attributable to unitholders) | - | - | - | - | - |
| Net assets attributable to unitholders – liability | 22 | - | - | - | 2,146 |

* Other is represented as follows:

Financial assets:

- Singapore Dollar
- Hong Kong Dollar

Notes to Financial Statements

Note 6. Financial Instruments (continued)

| | United States Dollar | British Pounds | Swiss Franc | Europe Euro | Other |
|---|----------------------|----------------|-------------|-------------|---------|
| 30 June 2017 | | | | | |
| Assets | AUD | AUD | AUD | AUD | AUD |
| Cash and cash equivalents | - | - | - | - | 580,590 |
| Receivables | - | - | - | - | 21,356 |
| Financial assets held at fair value through profit or loss | 748,310 | 10,948 | - | - | 355,910 |
| Total assets | 748,310 | 10,948 | - | - | 957,856 |
| Liabilities | | | | | |
| Bank overdrafts | (92,240) | (10,011) | | | |
| Financial liabilities held at fair value through profit or loss | (506,590) | - | - | - | - |
| Other payables | (1,415) | - | - | - | - |
| Total liabilities (excluding net assets attributable to unitholders) | (600,245) | (10,011) | - | - | - |
| Net assets attributable to unitholders – liability | 148,065 | 937 | - | - | 957,856 |

The Trust is exposed to cash flow interest rate on financial instruments with variable interest rates.

The Trust's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. The only financial assets held by the Trust subject to interest rate risk are cash and cash equivalents.

The Trust has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Trust invests and impact on the valuation of certain assets that use interest rates as input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Trust's net assets attributable to unitholders of future movements in interest rates.

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There is no significant direct interest rate risk in the Trust as the Trust does not hold interest rate sensitive financial instruments. The interest rates on deposits at bank and on bank overdrafts are both rates referenced to RBA cash rate.

A sensitivity analysis was performed showing how the effect of a 100 basis point increase (2017: 100 basis point) and a 100 basis point decrease (2017: 100 basis point) in interest rates on cash and cash equivalents would have increased/decreased the impact on operating profit/net assets attributable to unitholders as at 30 June 2018. The results of this analysis are disclosed in Note 6(b).

Notes to Financial Statements

Note 6. Financial Instruments (continued)

The table below summarises the Trust's exposure to interest rate risks. It includes the Trust's assets and liabilities at fair value, categorised by the earlier of contractual repricing or maturity dates.

| | Floating interest rate | Fixed interest rate | Non interest bearing | Total |
|---|------------------------------|---------------------------|----------------------------|-----------|
| 30 June 2018 | | | | |
| Financial assets | AUD | AUD | AUD | AUD |
| Cash and cash equivalents | 1,062 | - | - | 1,062 |
| Receivables | - | - | 18,128 | 18,128 |
| Due from brokers – receipt for securities sold | - | - | - | - |
| Financial assets held at fair value through profit or loss | - | - | 1,861,996 | 1,861,996 |
| Financial liabilities | | | | |
| Bank overdrafts | - | - | - | - |
| Distribution payable | - | - | (16,768) | (16,768) |
| Due to brokers – receipts for securities bought | - | - | - | - |
| Financial liabilities held at fair value through profit or loss | - | - | (129,925) | (129,925) |
| Other payables | - | - | - | - |
| Net exposure | 1,062 | - | 1,733,431 | 1,734,493 |

| | Floating interest rate | Fixed interest rate | Non interest bearing | Total |
|---|------------------------------|---------------------------|----------------------------|-----------|
| 30 June 2017 | | | | |
| Financial assets | AUD | AUD | AUD | AUD |
| Cash and cash equivalents | 963,371 | - | - | 963,371 |
| Receivables | - | - | 19,403 | 19,403 |
| Due from brokers – receipt for securities sold | - | - | 46,693 | 46,693 |
| Financial assets held at fair value through profit or loss | - | - | 4,555,916 | 4,555,916 |
| Financial liabilities | | | | |
| Bank overdrafts | (264,545) | - | - | (264,545) |
| Distribution payable | - | - | (119,090) | (119,090) |
| Due to brokers – receipts for securities bought | - | - | (276,251) | (276,251) |
| Financial liabilities held at fair value through profit or loss | - | - | (587,383) | (587,383) |
| Other payables | - | - | (97,247) | (97,247) |
| Net exposure | 698,826 | - | 3,542,041 | 4,240,867 |

(b) Price risk and Interest rate risk

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to price risk and interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and historical market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performance of the economies, markets and securities in which the Trust invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

Notes to Financial Statements

Note 6. Financial Instruments (continued)

| | Price Risk | | Interest Rate Risk | |
|--------------|---|---------|--------------------|----------|
| | Impact on operating profit/net assets attributable to unitholders | | | |
| | -10% | +10% | -100 bps | +100 bps |
| | \$ | \$ | \$ | \$ |
| 30 June 2018 | (198,971) | 198,971 | (11) | 11 |
| 30 June 2017 | (396,853) | 396,853 | (6,988) | 6,988 |

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonably possible shift in assumptions.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Trust.

The main concentration of credit risk to which the Trust is exposed arises from cash and cash equivalents and amounts due from other receivables.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved; and
- ensuring transactions are undertaken with a large number of counterparties.

The Trust has a prime brokerage agreement with Interactive Brokers, the Trust's prime broker, and some of the Trust's assets will be pledged as collateral for amounts drawn under the overdraft facility.

Certain assets of the Trust will be held by the Custodian in segregated accounts together with assets deposited by it on behalf of other customers of the Custodian or Prime Broker. Such assets will not be mixed with the property of the Custodian or the Prime Broker and should not be available to third party creditors of the Custodian or Prime Broker in the event of insolvency of the Custodian or Prime Broker (as the case may be). However, the assets of the Trust held by a Custodian will be subject to a charge to secure the Trust's obligations to the Prime Broker.

The main concentration of credit risk to which the Trust is exposed arises from cash and cash equivalents.

The Trust has a credit risk exposure to the banks (Westpac and Interactive Brokers) that hold the Trust's cash assets at 30 June 2018.

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

| | 2018 | 2017 |
|---------------------------------|-------|-----------|
| | \$ | \$ |
| Rating | | |
| AA | 235 | 276,241 |
| A | - | 10 |
| BBB | 827 | 687,120 |
| Total cash and cash equivalents | 1,062 | 963,371 |
| BBB | - | (264,545) |
| Total bank overdrafts | - | (264,545) |

Notes to Financial Statements

Note 6. Financial Instruments (continued)

(i) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(ii) Cash and cash equivalents

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

(iii) Other

The Trust is not materially exposed to credit risk on other financial assets. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(d) Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund was also exposed to daily margin calls on derivatives. It therefore primarily holds investment that are traded in an active market and can be readily disposed. However, the Fund holds an investment in Molopo Energy Limited, a portion of which is to be vested in ASIC to be sold in an orderly manner. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements.

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

The table below analyses the Trust's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

| 30 June 2018 | Less than 1 month | 1-6 months | 6-12 months | 1-2 years | Total |
|---|----------------------|------------------|----------------|-----------|------------------|
| Liabilities | | | | | |
| Bank overdrafts | - | - | - | - | - |
| Distribution payable | 16,768 | - | - | - | 16,768 |
| Due to brokers – payments for securities purchased | - | - | - | - | - |
| Financial liabilities held at fair value through profit or loss | - | - | - | - | - |
| Other payables | 129,925 | - | - | - | 129,925 |
| Net assets attributable to unitholders | - | 1,734,493 | - | - | 1,734,493 |
| Contractual cash flows (excluding gross settled derivatives) | 146,693 | 1,734,493 | - | - | 1,881,186 |

Notes to Financial Statements

Note 6. Financial Instruments (continued)

| 30 June 2017 | Less than 1 month | 1-6 months | 6-12 months | 1-2 years | Total |
|---|----------------------|------------------|----------------|-----------|------------------|
| Liabilities | | | | | |
| Bank overdrafts | 264,545 | - | - | - | 264,545 |
| Distribution payable | 119,090 | - | - | - | 119,090 |
| Due to brokers – payments for securities purchased | 276,251 | - | - | - | 276,251 |
| Financial liabilities held at fair value through profit or loss | 587,383 | - | - | - | 587,383 |
| Other payables | 97,247 | - | - | - | 97,247 |
| Net assets attributable to unitholders | - | 4,240,867 | - | - | 4,240,867 |
| Contractual cash flows (excluding gross settled derivatives) | 1,344,516 | 4,240,867 | - | - | 5,585,383 |

The table below analyses the Trust's derivative financial instruments for which the contractual maturities are considered important to understanding the timing of cash flows based on the Trust's investment strategy.

| 30 June 2018 | Less than 1 month | 1-6 months | 6-12 months | 1-2 years | Total |
|---------------------------|----------------------|---------------|----------------|-----------|-------|
| Derivatives | | | | | |
| Swap | - | - | - | - | - |
| Share price index options | - | - | - | - | - |
| Warrants | - | 993 | - | - | 993 |

| 30 June 2017 | Less than 1 month | 1-6 months | 6-12 months | 1-2 years | Total |
|---------------------------|----------------------|---------------|----------------|-----------|---------|
| Derivatives | | | | | |
| Swap | - | - | - | - | - |
| Share price index options | - | 10,506 | - | - | 10,506 |
| Warrants | - | - | 100,494 | - | 100,494 |

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to Financial Statements

Note 7. 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:

Fair value hierarchy

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

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

The Trust values its investments in accordance with the accounting policies set out within this note to the financial statements. For the majority of its investments, the Trust relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current asking 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, volume weighted average price or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

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

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 Financial Statements

Note 7. Fair value measurement (continued)

The following tables detail the Trust's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------------------|---------------|----------------|------------------|
| 30 June 2018 | | | | |
| Financial assets | | | | |
| Financial assets held for trading: | | | | |
| Derivatives | 993 | - | - | 993 |
| Financial assets designated at fair value through profit or loss: | | | | |
| Equity securities | 1,488,494 | - | 372,509 | 1,861,003 |
| Total financial assets | 1,489,487 | - | 372,509 | 1,861,996 |
| Financial liabilities | | | | |
| Financial liabilities held for trading: | | | | |
| Derivatives | - | - | - | - |
| Financial liabilities designated at fair value through profit or loss: | | | | |
| Equity securities | 587,383 | - | - | 587,383 |
| Total financial liabilities | 587,383 | - | - | 587,383 |

| | 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 | - | - | - | - |
| Financial liabilities designated at fair value through profit or loss: | | | | |
| Equity securities | 587,383 | - | - | 587,383 |
| Total financial liabilities | 587,383 | - | - | 587,383 |

Transfers between levels

There has been two transfers between levels for the year ended 30 June 2018 (30 June 2017: one transfer). Please refer to Note 4 for relevant information.

Valuation techniques for fair value measurements

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Notes to Financial Statements

Note 7. Fair value measurement (continued)

Reconciliation of level 2 fair values

Financial assets measured using significant unobservable inputs (level 2) are shown below:

| | 2018 \$ | 2017 \$ |
|--|-------------|------------|
| Opening balance | 1,724,177 | - |
| Transfers in/(out) of level 2 | (1,724,177) | 1,724,177 |
| Change in value of financial asset held at fair value through profit or loss | - | - |
| Closing balance | - | 1,724,177 |

Reconciliation of level 3 fair values

Financial assets measured using significant unobservable inputs (level 3) are shown below:

| | 2018 \$ | 2017 \$ |
|--|-------------|------------|
| Opening balance | - | - |
| Transfers in/(out) of level 3 | 1,724,177 | - |
| Change in value of financial asset held at fair value through profit or loss | (1,351,668) | - |
| Closing balance | 372,509 | - |

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assume that the transaction will take place either: in the principal market; or in the absence of a principal market; in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison where applicable, with external sources of data.

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

Notes to Financial Statements

Note 8. Derivative financial instruments

In the normal course of business, the Trust enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date whose value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Trust portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trust against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trust.

The Trust holds the following derivative instruments:

(a) Equity swaps

An equity swap is a financial derivative contract (a swap) where a set of future cash flows are agreed to be exchanged between two counterparties at set dates in the future. The two cash flows are usually referred to as "legs" of the swap; one of these "legs" is usually pegged to a floating rate. The other leg of the swap is based on the performance of either a share of stock or a stock market index. Most equity swaps involve a floating leg versus an equity leg, although some exist with two equity legs.

An equity swap involves a notional principal, a specified tenor and predetermined payment intervals. Equity swaps are typically traded by Delta One trading desks.

(b) Futures

Futures are contractual to buy or sell financial instruments on a future date at a specified price established in an organised market. The future contracts are collateralised by cash or marketable securities. Changes in future contracts' values are settled daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest at a future date at a specified price, established in an organised financial market.

(c) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Trust are exchange-traded and over-the-counter. The Trust is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis. Exchange traded options comply with the conditions of the Options Clearing House.

Notes to Financial Statements

Note 8. Derivative financial instruments (continued)

The Trust's derivative financial instruments at year end are detailed as follows:

| 30 June 2018 | Contractual/ notional \$ | Fair values | |
|---|--------------------------------|--------------|-------------------|
| | | Assets \$ | Liabilities \$ |
| International share price index options | - | - | - |
| Swaps | - | - | - |
| Warrants | - | 993 | - |

| 30 June 2017 | Contractual/ notional \$ | Fair values | |
|---|--------------------------------|--------------|-------------------|
| | | Assets \$ | Liabilities \$ |
| International share price index options | 968,400 | 10,506 | - |
| Swaps | - | - | - |
| Warrants | - | 100,494 | - |

Refer to Note 6 for further information on financial instruments.

Refer to Note 7 for further information on fair value measurement.

Note 9. Cash and cash equivalents

| | 2018 \$ | 2017 \$ |
|--|--------------|------------------|
| Cash at bank | 1,062 | 963,371 |
| Total cash and cash equivalents | 1,062 | 963,371 |
| Bank overdrafts | - | (264,545) |
| Total bank overdrafts | - | (264,545) |

Accounting policy for cash and cash equivalents

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, and bank overdrafts. Bank overdrafts are shown within borrowings in the Statement of Financial Position.

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

Notes to Financial Statements

Note 10. Financial assets held at fair value through profit or loss

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Derivatives | | |
| International share price index options | - | 10,506 |
| Warrants | 993 | 100,494 |
| Total derivatives | 993 | 111,000 |
| Equity securities | | |
| Listed Australian equity securities | 1,858,879 | 3,332,139 |
| International equity securities | 2,124 | 1,112,777 |
| Total equity securities | 1,861,003 | 4,444,916 |
| Total financial assets held at fair value through profit or loss | 1,861,996 | 4,555,916 |

An overview of the risk exposure relating to financial assets held at fair value through profit or loss is included in Note 6.

Note 11. Financial liabilities held at fair value through to profit or loss

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| Derivatives | | |
| Swaps | - | - |
| Total derivatives | - | - |
| Equity securities | | |
| Listed Australian equity securities | - | 80,793 |
| International equity securities | - | 506,590 |
| Total equity securities | - | 587,383 |
| Total financial liabilities held at fair value through profit or loss | - | 587,383 |

An overview of the risk exposure relating to financial liabilities held at fair value through profit or loss is included in Note 6.

Notes to Financial Statements

Note 12. Net assets attributable to unitholders

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

| | 2018 No. | 2017 No. | 2018 \$ | 2017 \$ |
|---|------------------|------------------|------------------|------------------|
| Opening balance | 6,940,077 | 6,528,658 | 4,240,867 | 4,997,204 |
| Applications | 2,544,088 | 2,363,578 | 1,567,927 | 1,878,845 |
| Redemptions | (2,334,264) | (1,534,235) | (1,326,433) | (1,166,739) |
| Buy backs | - | (461,461) | - | (358,845) |
| Units issued upon reinvestment of distributions | 140,677 | 43,537 | 75,892 | 33,541 |
| Increase/(decrease) in net assets attributable to unitholders | - | - | (2,823,760) | (1,143,139) |
| Closing balance | 7,290,578 | 6,940,077 | 1,734,493 | 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.

Accounting policy for net assets attributable to unitholders

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

On market

Unitholders may instruct their stockbroker or financial adviser to purchase or sell units on the ASX platform.

Off Market

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

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

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is considered in the best interests of unitholders. The units are classified as financial liabilities as the Trust is required to distribute its distributable income.

The units can be put back to the Trust at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Trust.

Notes to Financial Statements

Note 13. Distributions to unitholders

The distributions for the year were as follows:

| | 2018 \$ | 2018 CPU | 2017 \$ | 2017 CPU |
|--|----------------|-------------|----------------|-------------|
| Distributions paid | 160,860 | 3.60 | 296,744 | 4.60 |
| Distributions payable (30 June 2018 quarter) | 16,768 | 0.23 | 106,877 | 1.54 |
| Other distributions payable from previous quarters | 106,877 | - | 12,213 | - |
| Total distributions | 284,505 | 3.83 | 415,834 | 6.14 |

Accounting policy for distribution to unitholders

The Trust distributes its distributable income in accordance with the Trust Constitution, to unitholders by cash or reinvestment. The distributions are recognised in profit or loss as finance costs attributable to unitholders. Unpaid amount is recognised in the Statement of Financial Position.

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs.

Note 14. Expenses

(a) Other operating expenses

| | 2018 \$ | 2017 \$ |
|---------------------------------------|----------------|----------------|
| Other operating expenses | 158,962 | 215,472 |
| Total other operating expenses | 158,962 | 215,472 |

(b) Legal costs

| | 2018 \$ | 2017 \$ |
|--------------------------|----------------|------------|
| Legal costs | 245,700 | - |
| Total legal costs | 245,700 | - |

(c) Takeover costs

| | 2018 \$ | 2017 \$ |
|-----------------------------|------------|----------------|
| Takeover costs | - | 162,679 |
| Total takeover costs | - | 162,679 |

The Trust incurred certain costs in relation to the takeover offer for HHY, including legal fees, registry costs, printing and postage.

Notes to Financial Statements

Note 14. Expenses (continued)

(d) Takeover Panel costs

| | 2018 \$ | 2017 \$ |
|-----------------------------------|------------|------------|
| Takeover Panel costs | - | 103,585 |
| Total Takeover Panel costs | - | 103,585 |

The Trust incurred legal costs in relation to the Takeover Panel proceedings of Molopo Energy Limited.

(e) Unitholder meeting costs

| | 2018 \$ | 2017 \$ |
|---------------------------------------|------------|------------|
| Unitholder meeting costs | - | 17,908 |
| Total unitholder meeting costs | - | 17,908 |

The Trust incurred legal costs in relation to the general meeting called by Wilson Asset Management (International) Limited.

Note 15. Remuneration of auditors

During the financial year, the following fees were paid or payable by the Responsible Entity on behalf of the Trust for services provided by the auditor of the Trust. The auditor of the Trust is Grant Thornton (2017: Deloitte Touche Tohmatsu). The Responsible Entity is responsible for paying this remuneration of auditor on behalf of the Trust.

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| Audit and other assurance services | | |
| Audit and review of financial statements (Grant Thornton) | 13,459 | - |
| Audit and review of financial statements (Deloitte Australia) | 42,756 | 25,025 |
| Audit of compliance plan (Deloitte Australia) | - | 5,133 |
| Total remuneration for audit and other assurance services | 56,215 | 30,158 |
| Taxation services | | |
| Tax compliance services (Grant Thornton) | 2,500 | - |
| Tax compliance services (Deloitte Australia) | 15,250 | 11,100 |
| Total remuneration for tax services | 17,750 | 11,100 |
| Total remuneration of auditors | 73,965 | 41,258 |

Notes to Financial Statements

Note 16. Related party transactions

Responsible Entity

The Responsible Entity of Aurora Global Income Trust is Aurora Funds Management Limited. In the period to 30 June 2018, 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.

Related party unitholdings

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

| 30 June 2018 | 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 | 1,412,951 | \$336,141 | 19.39% | 33,963 | - | \$52,893 |

30 June 2017

| | | | | | | | |
|---------------------------------------|---|-----------|-----------|--------|-----------|---|----------|
| Aurora Fortitude Absolute Return Fund | - | 1,378,988 | \$857,731 | 19.87% | 1,378,988 | - | \$63,571 |
|---------------------------------------|---|-----------|-----------|--------|-----------|---|----------|

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

| 30 June 2018 | 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 | \$77,353 | 1.70% | 124,362 | - | \$5,148 |

30 June 2017

| | | | | | | | |
|---------------------------------|---|---------|----------|-------|---------|---|---------|
| Aurora Funds Management Limited | - | 124,362 | \$77,353 | 1.79% | 124,362 | - | \$5,733 |
|---------------------------------|---|---------|----------|-------|---------|---|---------|

Notes to Financial Statements

Note 16. Related party transactions (continued)

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 Global 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 \$94,493 (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 (2017: \$179,887).

Investments

The Trust did not hold any investments in any schemes which are also managed by the Responsible Entity.

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;
- 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 year and amounts payable at year end between the Trust and the Responsible Entity were as follows:

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Management fees for the year paid/payable by the Trust to the Responsible Entity | 50,338 | 61,295 |
| Responsible Entity fees for the year paid/payable by the Trust to the Responsible Entity | 67,773 | - |
| Other expenses for the year paid/payable by the Trust to the Responsible Entity | 163,262 | - |
| Aggregate amount payable to the Responsible Entity for management fees at the end of the reporting period | 78,751 | 5,059 |

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

Notes to Financial Statements

Note 17. Reconciliation of profit to net cash inflow/(outflow) from operating activities

| | 2018 \$ | 2017 \$ |
|--|------------------|--------------------|
| (a) Reconciliation of (loss)/profit to net cash inflow from operating activities | | |
| Profit/(loss) for the year | - | - |
| (Decrease) in net assets attributable to unitholders | (2,823,760) | (1,143,139) |
| Distribution to unitholders | 284,505 | 415,834 |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 2,455,684 | 9,232,864 |
| Purchase of financial instruments held at fair value through profit or loss | (2,719,612) | (11,759,247) |
| Net losses/(gains) on financial instruments held at fair value through profit or loss | 2,137,400 | 264,984 |
| Net change in dividend receivables | - | 6,535 |
| Net change in receivables | 1,275 | (4,271) |
| Net change in payables | 32,678 | 15,662 |
| Net cash (outflow)/inflow from operating activities | (631,830) | (2,970,778) |
| (b) Non-cash financing activities | | |
| During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | 75,892 | 33,541 |

Note 18. Events 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 Statement of Financial Position as at 30 June 2018 or on the results and cash flows of the Trust for the year ended on that date.

Note 19. Commitments

There were no commitments for expenditure as at 30 June 2018 (2017: Nil).

Note 20. Contingent assets and liabilities

There were no contingent assets and liabilities as at 30 June 2018 (2017: Nil).

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 financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the financial statements;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Trust; and
- (d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001*.

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

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



John Patton
Managing Director
27 September 2018

Independent Auditor's Report

To the Unitholders of Aurora Global Income Trust

Report on the audit of the financial report

Opinion

We have audited the financial report of Aurora Global Income Trust (the Trust), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Trust's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter
How our audit addressed the key audit matter
Valuation and existence of Level 1 financial assets held at fair value through profit or loss (Note 10)

As at 30 June 2018, the Trust's financial assets held at fair value through profit or loss amounted to \$1,861,996 as disclosed in Note 10.

We do not consider the fair value of the investment portfolio to be judgemental in nature as it is mostly comprised of equity securities listed on the Australian Securities Exchange. However, due to the size of the investment portfolio, valuation and existence is considered a key audit matter.

Our procedures included:

- Documenting the processes and controls in place to buy and sell investments in the portfolio, including the process to value investments within the portfolio;
- Assessing the valuation of investments by comparing the valuation to publicly quoted prices;
- Selected a sample of investments and compared the number of shares or units held to third party share or unit registry records; and
- Performing a recalculation of the total value of investments based on the last quoted market price.

Valuation and existence of Level 3 financial assets held at fair value through profit or loss (Note 10)

Significant judgement is involved in estimating the fair value of Molopo Energy Limited ("MPO") and RNY Property Trust ("RNY"), as all of these financial assets were classified as 'Level 3' financial assets which are defined as values with unobservable inputs.

Due to significance of management judgement applied to the valuation assessment, and being derived from unobservable inputs, this is considered to be a key audit matter.

Our procedures included:

- Obtaining management's assessment for investment valuation
- Testing the key inputs within the calculation and assessing management's estimates and judgements adopted;
- Corroborating valuation with legal correspondence and announcements made on the ASX and considering the impact of management's judgement used;
- Consulting Corporate Finance specialists regarding valuation judgements; and
- Assessing the appropriateness of the disclosures in the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Trust's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 27 September 2018

Additional Information

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

Investments

8IP EMERGING COMPANIES LIMITED FPO
ANTIPODES GLOBAL INVESTMENT COMPANY LTD OPTION EXPIRING 15-OCT-2018
HHY FUND ORDINARY UNITS FULLY PAID
KEYBRIDGE CAPITAL LIMITED FPO
MOLOPO ENERGY LIMITED FPO
RNY PROPERTY TRUST UNITS FULLY PAID
WAM ACTIVE LIMITED OPTION EXPIRING 17-SEP-2018
WATERMARK GLOBAL LEADERS FUND LIMITED OPTION EXPIRING 16-NOV-2018

Unitholder Information

The unitholder information set out below was applicable as at 26 September 2018.

Distribution of holdings

| | Total holders | Units | Percentage of issued units |
|------------------|---------------|-----------|----------------------------|
| 1 – 1,000 | 80 | 29,735 | 0.41 |
| 1,001 – 5,000 | 193 | 467,598 | 6.40 |
| 5,001 – 10,000 | 79 | 572,553 | 7.84 |
| 10,001 – 100,000 | 86 | 2,271,866 | 31.10 |
| 100,001 and over | 16 | 3,963,222 | 54.25 |
| Total | 454 | 7,304,974 | 100.00 |

The names of the twenty largest unitholders of ordinary units are listed below:

| | Number of units held | Percentage of issued units |
|--|----------------------|----------------------------|
| 1 BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 1,413,358 | 19.35% |
| 2 KEYBRIDGE CAPITAL LIMITED | 360,651 | 4.94% |
| 3 WONFAIR INVESTMENTS PTY LTD | 301,508 | 4.13% |
| 4 WILSON ASSET MANAGEMENT (INTERNATIONAL) PTY LTD | 258,535 | 3.54% |
| 5 MR NOEL GODFREY MATTOCKS <N G MATTOCKS FAMILY A/C> | 210,000 | 2.87% |
| 6 BNP PARIBAS NOMS (NZ) LTD <DRP> | 158,286 | 2.17% |
| 7 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 145,645 | 1.99% |
| 8 HAGAN SUPERANNUATION PTY LTD <HAGAN SF A/C> | 140,000 | 1.92% |
| 9 MESK PTY LTD <K & S PITTS SUPER FUND A/C> | 140,000 | 1.92% |
| 10 MRS ILA JOYCE CLARKE | 140,000 | 1.92% |
| 11 MANAGED SECURITIES PTY LTD <FAMILY INVESTMENTS ST A/C> | 133,900 | 1.83% |
| 12 BURBANK PTY LTD <PARKS NO 2 SUPER FUND A/C> | 124,523 | 1.70% |
| 13 AURORA FUNDS MANAGEMENT LIMITED | 124,362 | 1.70% |
| 14 MRS MARGARET BUTLER | 105,945 | 1.45% |
| 15 BT PORTFOLIO SERVICES LIMITED <HEATLEY SUPER FUND A/C> | 105,000 | 1.44% |
| 16 BT PORTFOLIO SERVICES LIMITED <MR CORRIE HARING APP A/C> | 101,509 | 1.39% |
| 17 BT PORTFOLIO SERVICES LTD <NOVATECH CONTROLS ADMIN A/C> | 70,550 | 0.97% |
| 18 MR ROHIT SINGH | 70,183 | 0.96% |
| 19 JETCORP NOMINEES PTY LTD <SA & LL CROCKER S/F A/C> | 70,000 | 0.96% |
| 20 WESTPALM PTY LTD <ROWLAND SUPER FUND A/C> | 70,000 | 0.96% |
| Total held by top twenty holders | 4,243,955 | 58.11% |

Unitholder Information

Substantial holders

The substantial shareholders of the Trust as at 26 September 2018 are listed below:

| Unitholder | Number of Units | Percentage of issued units |
|------------------------------|-----------------|----------------------------|
| BNP PARIBAS NOMINEES PTY LTD | 1,413,358 | 19.35% |
| Total | 1,413,358 | 19.35% |

Corporate Directory

| | |
|---------------------------------|---|
| Directors of Responsible Entity | John Patton - <i>Managing Director</i> Victor Siciliano - <i>Executive Director</i> Anthony Hartnell AM – <i>Non-Executive Director</i> |
| Company Secretaries | John Patton Adrian Tilley |
| Registered Office | Suite 613, Level 6, 370 St Kilda Road Melbourne, VIC 3004 |
| Share Register | Boardroom Pty Limited Level 12, 225 George Street Sydney, VIC 3000 |
| Auditor and Taxation Advisor | Grant Thornton Collins Square, Tower 1 727 Collins Street Melbourne, VIC 3008 |
| Solicitors | Piper Alderman Level 23, 459 Collins Street Melbourne, VIC 3000 |
| Stock Exchange Listing | Aurora Global Income Trust units are listed on the Australian Securities Exchange (ASX code: AIB) |
| Website: | www.aurorafunds.com.au |
| Corporate governance statement | Aurora Funds Management's Corporate Governance Statement can be found on its website: http://www.aurorafunds.com.au/wp-content/uploads/Corporate-Governance-Statement.pdf |