

# **Aurora Dividend Income Trust (Managed Fund)**

ABN 70 370 435 841

## **Annual Report**

**For the year ended 30 June 2013**

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## Corporate Directory

Directors of Responsible Entity	John Corr <b>B Comm</b>  Alastair Davidson <b>B.Sc Economics (Hons) CA</b>  Richard Matthews (Resigned as a director on 3 May 2013)  <b>B.Sc B.A. B.Ec MPA, Grad Dip App Fin</b>  Simon Lindsay <b>B. BUS</b>  Ian Steuart Roe <b>BSc MAppFin</b>
Company Secretary	Richard Matthews <b>B.Sc B.A. B.Ec MPA, Grad Dip App Fin</b>
Principal Registered Office in Australia	Level 4, 1 Alfred Street Sydney, NSW 2000 (02) 9080 2377
Share register	ShareandFund Pty Ltd Level 2, Professional Chambers 120 Collins Street East, Melbourne, VIC, Australia 3000
Auditor	PwC Darling Park Tower 2 201 Sussex Street Sydney NSW 1171
Solicitors	Baker & McKenzie Level 27, AMP Centre 50 Bridge Street Sydney NSW 2000
Website address	<a href="http://www.aurorafunds.com.au">www.aurorafunds.com.au</a>

## Directors' report

The directors of Aurora Funds Management Limited (ABN 69 092 626 885), (the "Responsible Entity") of Aurora Dividend Income Trust (Managed Fund) ("the Trust"), present their report together with the financial statements of the Trust for the financial year ended 30 June 2013.

### Principal activities

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

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.

### Directors

The following persons held office as directors of Aurora Funds Management Limited during the year or since the end of the year and up to the date of this report:

John Corr  
 Alastair Davidson  
 Simon Lindsay  
 Richard Matthews (Resigned as a director on 3 May 2013)  
 Stuart Roe

### Review and results of operations

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

### Financial results for the year

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

	Year Ended	
	30 June 2013	30 June 2012
	\$	\$
Operating profit/(loss) before finance costs attributable to unitholders	2,701,391	(241,320)
Distributions paid and payable	1,272,835	2,019,297
<b>Unquoted Units</b>		
Distribution (cents per unit) 30 September	1.36	-
Distribution (cents per unit) 31 December	1.24	1.40
Distribution (cents per unit) 31 March	1.32	1.40
Distribution (cents per unit) 30 June	1.50	6.42
<b>Quoted Units</b>		
Distribution (cents per unit) 30 September	-	-
Distribution (cents per unit) 31 December	-	-
Distribution (cents per unit) 31 March	-	-
Distribution (cents per unit) 30 June	1.50	-

Directors' report (continued)

Financial Position

**Net Tangible Assets per unit as disclosed to the Australian Securities Exchange (ASX)**

Net Tangible Assets per unit as disclosed to the ASX (excluding distributions, but not accumulated imputation credits) are shown as follows:

	30 June 2013 \$	30 June 2012 \$
At 30 June	1.0032	-
High during period	1.0032	-
Low during period	0.8063	-

**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 Australian Accounting Standards have been outlined below:

	30 June 2013 \$	30 June 2012 \$
<b>Net assets for unit pricing purposes (at Cum)</b>	<u>22,790,224</u>	<u>17,818,908</u>
Difference between net market value (for unit pricing) and fair value (for financial statements) of financial assets held at fair value through profit or loss	39,140	107,303
Distribution payable	341,407	1,229,606
Franking credits included in unit pricing	585,673	695,019
<b>Net assets under Australian Accounting Standards</b>	<u>21,824,004</u>	<u>15,786,980</u>

**Information on Underlying Performance**

The factors underlying the performance of the Trust is subject to the market prices of the Trust's 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 is predominately invested in listed equities, with a focus on Australian equity securities and this is expected to continue. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Trust provides regular updates in the month NTA announcements which can be found in the announcement section of the Australian Securities Exchange website.

**Significant changes in state of affairs**

During the financial year, the Trust established a new class of units allowing unitholders from Aurora Sandringham Dividend Income Trust to be transferred into the Trust. The new class of units is quoted on the AQUA market of the Australian Securities Exchange under ASX code AOD.

On 18 June 2013, an in-specie distribution of assets of \$23,906,248.70 (23,801,522 units) was made into the new quoted class.

Other than what has been disclosed above, there were no other significant changes in the state of affairs of the Trust that occurred during the financial year.

## **Directors' report (continued)**

### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

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

### **Likely developments and expected results of operations**

The Trust will continue 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 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.

### **Indemnity and insurance of Aurora Funds Management Limited**

No insurance premiums are paid for out of the assets of the Trust in regards 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 Note 12 to the financial statements.

No fees were paid out of Trust property to the directors of the Responsible Entity during the year.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 12 to the financial statements.

### **Interests in the Trust**

The movement in units on issue in the Trust during the period is disclosed in Note 7 of the financial statements.

The values of the Trust's assets and liabilities are disclosed on the Balance Sheet and derived using the basis set out in Note 2 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 on directors**

As at 30 June 2013, no directors of the Responsible Entity held units in the Trust.

## **Directors' report (continued)**

### **Information on directors (continued)**

#### **Directors**

The following persons were directors during the year and were directors of the Responsible Entity during the whole or part of the period and up to the date of this report.

**John Corr B Comm**, *Executive Director, Chief Investment Officer, Age 50*

John is the Managing Director and founder of Fortitude Capital Pty Ltd. John has over 26 years experience in the financial markets. Prior to establishing Fortitude Capital, he was a director at Citigroup Global Markets Australia. He worked in proprietary trading for eight years, trading local and overseas equities and equity derivatives, and was responsible for the management and development of a team of equity proprietary traders. John is responsible for the overall portfolio and risk management of Fortitude's various investment funds.

**Alastair Davidson B.Sc Economics (Hons) CA**, *Executive Director, Head of Institutional Business, Age 55*

Alastair is a founding director of Aurora Funds Management Limited. He has over 29 years experience in senior executive roles in the United Kingdom, United States and Australian banking and financial services industries.

Prior to Aurora Funds Management Limited, Alastair was the Head of Investment Banking at Challenger International Limited. There, he was instrumental in developing investment products including hedge funds, hybrids, fixed interest, and venture capital. Previous to that he was co head of the structured product group at Salomon Smith Barney (County NatWest) in Sydney, and specialised in equity derivative based investment products. Alastair is also a director of Australasian Wealth Investment Limited, Chairman of Biotech Capital Limited, and Treasurer of the Centenary Institute of Medical Research.

**Simon Lindsay B. BUS**, *Executive Director, Head of Distribution, Age 42*

Simon is a founding director of AFML and is responsible for the Australian and New Zealand distribution of Aurora Funds Management Limited's products. He brings to the Company over 19 years experience in financial services, and has an extensive knowledge of the Australian financial planning market from his previous business development experience at both Challenger International Limited and Ord Minnett Limited.

**Richard Matthews B.Sc B.A. B.Ec MPA, Grad Dip App Fin**, *Executive Director, Chief Operating Officer and Company Secretary, Age 44*

Richard is a founding director of Aurora Funds Management Limited. He has over 19 years experience in investment analysis, investment banking, and funds management. He is responsible for product establishment and administration, business administration, and compliance. Richard was formerly Senior Manager of Investment Banking (Equity Capital Markets) at Challenger International Limited, and an Associate Director of Challenger Beston Limited. He has significant experience in establishing and administering listed and unlisted investment schemes, equity capital market issues, equity swaps, and other specialised corporate structured products. Richard Matthews resigned as a director on 3 May 2013.

**Ian Steuart Roe BSc MAppFin**, *Chairman and Managing Director, Age 46*

Prior to founding Sandringham Capital Pty Limited in 2005, Steuart was Executive Director and Head of Equity Risk Management Products for UBS in Australasia. His responsibilities included the origination, structuring and distribution of equity derivative and cash products to corporate, financial intermediaries and retail clients. From 1992 to 2001 he worked for Citigroup (formerly Salomon Smith Barney and County NatWest) holding numerous roles including, director and Head of Corporate and Retail Equity Derivative Products, Head of Equity Risk Management, Associate Director and Portfolio Manager Structured investments.

#### **Interests held by the Responsible Entity and Directors**

There were no units of the Trust held by the Responsible Entity or its associates or by Directors at the date of this report.

#### **Remuneration report**

The Responsible Entity of Aurora Dividend Income Trust (Managed Fund) is Aurora Funds Management Limited. Key management personnel are the executive directors of Aurora Funds Management Limited. The key management remuneration disclosures required under AASB 124 are provided in the financial statements of the Responsible Entity.

**Directors' report (continued)**

**Proceedings on behalf of Trust**

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

**Auditor's independence declaration**

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

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



Steuart Roe

Director

30 September 2013





## Auditor's Independence Declaration

As lead auditor for the audit of Aurora Dividend Income Trust for year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Aurora Dividend Income Trust for the period.

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

Joe Sheeran  
Partner  
PricewaterhouseCoopers

Sydney  
30 September 2013

Aurora Dividend Income Trust (Managed Fund)  
 ABN 70 370 435 841  
 Statement of Comprehensive Income  
 For the year ended 30 June 2013

**Statement of Comprehensive Income**

		Year ended	
	Notes	30 June 2013	30 June 2012
		\$	\$
<b>Investment income</b>			
Interest income from financial assets not held at fair value through profit or loss		298,459	494,865
Dividend and distribution income		1,373,870	1,031,175
Net gains on financial instruments held at fair value through profit or loss	6	5,812,686	10,458,276
Other operating income		<u>13,303</u>	<u>-</u>
<b>Total net investment income</b>		<u>7,498,318</u>	<u>11,984,316</u>
<b>Expenses</b>			
Management fees	12	281,487	253,290
Dividend expenses		4,377,993	11,676,625
Other operating expenses	4	<u>137,447</u>	<u>295,721</u>
<b>Total operating expenses</b>		<u>4,796,927</u>	<u>12,225,636</u>
<b>Operating profit/(loss)</b>		<u>2,701,391</u>	<u>(241,320)</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	8	(1,272,835)	(2,019,297)
(Increase)/decrease in net assets attributable to unit holders	7	<u>(1,428,556)</u>	<u>2,260,617</u>
<b>Profit/(loss) for the year</b>		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Balance Sheet**

		As at	
		30 June 2013	30 June 2012
Notes	\$	\$	\$
<b>Assets</b>			
		10,988,029	8,368,127
Cash and cash equivalents		225,227	215,904
Receivables		131,740	-
Due from brokers - receivable for securities sold		<u>21,765,210</u>	<u>23,250,141</u>
Financial assets held at fair value through profit or loss	10		
<b>Total assets</b>		<u><b>33,110,206</b></u>	<u><b>31,834,172</b></u>
<b>Liabilities</b>			
		341,407	1,229,606
Distributions payable	8		
Due to brokers - payable for securities purchased		-	4,558
Financial liabilities held at fair value through profit or loss	11	<u>10,845,839</u>	<u>10,086,752</u>
Other payables		<u>98,956</u>	<u>4,726,276</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u><b>11,286,202</b></u>	<u><b>16,047,192</b></u>
<b>Net assets attributable to unitholders - Liabilities</b>	7	<u><b>21,824,004</b></u>	<u><b>15,786,980</b></u>

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

**Statement of Changes in Equity**

	Year ended	
	30 June 2013	30 June 2012
	\$	\$
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with equity holders in their capacity as equity holders	-	-
<b>Total equity at the end of the financial year</b>	-	-

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

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

**Statement of Cash Flows**

		Year ended	
		30 June 2013	30 June 2012
		\$	\$
	Notes		
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		132,175,116	409,454,335
Purchase of financial instruments held at fair value through profit or loss		(124,141,823)	(383,308,331)
Amount paid to brokers for futures commission		(31,183)	(99,774)
Dividends and distributions received/(paid)		(7,556,901)	(5,975,582)
Interest received		318,978	458,527
Other income		13,303	-
Interest paid		(103,795)	(127,123)
Management fees paid		(299,404)	(154,221)
Payment of other expenses		(88,935)	(57,639)
<b>Net cash inflow from operating activities</b>	13(a)	<u>285,356</u>	<u>20,190,192</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		8,039,599	6,160,713
Payments for redemptions by unitholders		(4,473,499)	(16,057,404)
Distributions paid		(1,231,554)	(698,053)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>2,334,546</u>	<u>(10,594,744)</u>
<b>Net increase in cash and cash equivalents</b>		<u>2,619,902</u>	<u>9,595,448</u>
Cash and cash equivalents at beginning of the year		<u>8,368,127</u>	<u>(1,227,321)</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>10,988,029</u>	<u>8,368,127</u>

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

## Notes to the Financial Statements

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## 1 General information

These financial statements cover Aurora Dividend Income Trust (Managed Fund) ("the Trust") as an individual entity. The Trust commenced operations on 8 February 2011 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 Level 4, 1 Alfred Street, Sydney, NSW 2000 (formerly Level 2, 350 George Street, Sydney, NSW 2000). The financial statements are presented in the Australian currency.

It is recommended that these financial statements are considered together with the current product disclosure document and in accordance with the provisions of the governing documents of the Trust, and any public announcements made by the Trust during the year ended 30 June 2013 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The principal activities of the Trust during the financial year was establishing its investment strategy in accordance with the provision of the Trusts Constitution and the Product Disclosure Statement.

The financial statements were authorised for issue by the directors on 25 September 2013. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### (a) 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 and the *Corporations Act 2001* in Australia. Aurora Dividend Income Trust (Managed Fund) is a for-profit unit trust for the purpose of preparing the financial statements.

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

The Balance Sheet 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.

### **Compliance with International Financial Reporting Standards**

The financial statements of the Trust also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **New and amended standards adopted by the Trust**

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### (b) Financial instruments

#### (i) Classification

The Trust investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held at fair value through profit or loss upon recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded equity instruments and equity derivative instruments.

The Trust may sell securities short in anticipation of a decline in fair value of that security. When the Trust sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. At the reporting date, the liability for the obligation to replace the borrowed security is valued at the net fair value.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Trust's documented investment strategy. The Trust's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

#### (ii) Recognition / derecognition

The Trust recognises financial assets and financial liabilities on the date that it has become party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Trust has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

##### *Financial assets and liabilities held at fair value through profit or loss*

At initial recognition, the Trust measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains / (losses) on financial instruments held at fair value through profit or loss in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Trust is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making.

Further details on how the fair values of financial instruments are determined are disclosed in Note 3(e).

##### *Loans and receivables*

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each end of the reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the 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.



## 2 Summary of significant accounting policies (continued)

### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition 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 balance sheet.

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

### (e) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

### (f) 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 2(b).

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.

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 statement of comprehensive income.

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.

### (g) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

### (h) 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.

### (i) Distributions

The Trust distributes its distributable income in accordance with the Trust's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in profit or loss as finance costs attributable to unitholders.

### (j) Increase/decrease in net asset attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

## 2 Summary of significant accounting policies (continued)

### (k) 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 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 comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss

### (l) 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 three 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.

### (m) 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 in accordance with the policy set out in Note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used 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 is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of 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 comprehensive income.

### (n) Payables

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the end of the reporting period.

As the Trust has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

### (o) Applications and redemptions

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 of the Trust, divided by the number of units on issue.

## 2 Summary of significant accounting policies (continued)

### (p) 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 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 balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (q) Use of estimates

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Trust's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

### (r) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2013 reporting period and have not been early adopted by the Trust. The directors' assessment of the impact of these standards (to the extent relevant to the Trust) and interpretations are set out below:

- (i) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendment to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012 -6 Amendments to Australian Accounting Standards -Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015).*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Trust's financial instruments as they are carried at fair value through profit or loss.

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

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Trust will not adopt the new standard from its operative date, which means that it would be applied in the annual reporting period ending 30 June 2014. The directors do not expect this to have a significant impact on the Scheme.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (s) Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in these financial statements.

### 3 Financial risk management

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

The Trust's overall risk management program focuses on ensuring compliance with the Trust's Product Disclosure Statement and seeks to maximise 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 price risks and ratings analysis for credit 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 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 balance sheet 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.

The Investment Strategy is predominantly to invest in a portfolio of fully franked dividend paying companies listed on the Australian Securities Exchange (ASX) while employing a risk management overlay to limit the exposure to Australian equities to around 50% of the net assets of the Trust.

A sensitivity analysis was performed showing how the effect of a 10 per cent increase (2012: 10 per cent) and a 10 per cent decrease (2012: 10 per cent) in market prices would have increased/decreased the impact on operation profit/net assets attributable to unitholders as at 30 June 2013. The results of this analysis are disclosed in 'Note 3(b) - sensitivity analysis' on page 18.

##### (ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The Trust has no direct exposure to foreign exchange risk and no sensitivity analysis was performed.

##### (iii) Cash flow and fair value interest risk

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 balance sheet and cash flows. The risk is measured using sensitivity analysis. The only financial asset held by the Trust subject to interest rate risk is 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.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to the 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 the RBA cash rate.

A sensitivity analysis was performed showing how the effect of a 100 basis point increase (2012: 100 basis point) and a 100 basis point decrease (2012: 100 basis point) in interest rates on cash and cash equivalents would have increased/decreased the impact on operation profit/net assets attributable to unitholders as at 30 June 2013. The results of this analysis are disclosed in 'Note 3(b) - sensitivity analysis' on page 18.

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.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

30 June 2013	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$
<b>Financial assets</b>				
Cash and cash equivalents	10,988,029	-	-	10,988,029
Due from brokers - receivable for securities sold	-	-	131,740	131,740
Receivables	-	-	225,227	225,227
Financial assets held at fair value through profit or loss	-	-	21,765,210	21,765,210
<b>Financial liabilities</b>				
Distributions payable	-	-	(341,407)	(341,407)
Other payables	-	-	(98,956)	(98,956)
Financial liabilities held at fair value through profit or loss	-	-	(10,845,839)	(10,845,839)
<b>Net exposure</b>	<u>10,988,029</u>	<u>-</u>	<u>10,835,975</u>	<u>21,824,004</u>
30 June 2012	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$
<b>Financial assets</b>				
Cash and cash equivalents	8,368,127	-	-	8,368,127
Receivables	-	-	215,904	215,904
Financial assets held at fair value through profit or loss	-	-	23,250,141	23,250,141
<b>Financial liabilities</b>				
Due to brokers - payable for securities purchased	-	-	(4,558)	(4,558)
Distributions payable	-	-	(1,229,606)	(1,229,606)
Other payables	-	-	(4,726,276)	(4,726,276)
Financial liabilities held at fair value through profit or loss	-	-	(10,086,752)	(10,086,752)
<b>Net exposure</b>	<u>8,368,127</u>	<u>-</u>	<u>7,418,853</u>	<u>15,786,980</u>

#### (b) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Trust's operating profit and net assets attributable to unitholders 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.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis (continued)

	Price risk		Interest rate risk	
	Impact on operating profit / Net assets attributable to unitholders			
	-10%	+10%	-100 bps	+100 bps
	\$	\$	\$	\$
<b>30 June 2013</b>	<b>(1,091,937)</b>	<b>1,091,937</b>	<b>(109,880)</b>	<b>109,880</b>
30 June 2012	(1,316,339)	1,316,339	(83,681)	83,681

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

The Trust is exposed to credit risk which is the risk that the counterparty will be unable to pay amounts in full when they fall due.

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 that transactions are undertaken with a large number of counterparties.

The Trust has a prime brokerage agreement with UBS, 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.

There were no significant concentrations of credit risk to counterparties at 30 June 2013. No individual investment, other than cash, exceeded ten percent of the net assets attributable to unit holders at 30 June 2013. The Trust only has a material credit risk exposure to the bank that holds the Trust's cash assets at 30 June 2013.

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

	Year ended	
	30 June 2013	30 June 2012
<b>Cash at bank, margin accounts with broker and short term bank deposits</b>	<b>\$</b>	<b>\$</b>
<b>Rating</b>		
A	10,929,109	8,343,003
AA-	<u>58,920</u>	<u>25,124</u>
Total	<u>10,988,029</u>	<u>8,368,127</u>

### 3 Financial risk management (continued)

#### (c) Credit risk (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 low as all counterparties have a rating of AA - or higher.

In accordance with the Trust's policy, 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 Trust is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

The majority of the Trust's listed securities are considered readily realisable, as they are listed on the Australian Securities Exchange.

The Trust may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Trust 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 or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. No over-the-counter derivative contracts were held at year end.

In order to manage the Trust's overall liquidity, 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.

Units are redeemed on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

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.

	Less than 1 month \$	1 to 6 months \$	6 to 12 months \$	1 to 2 years \$	Total \$
<b>30 June 2013</b>					
<b>Liabilities</b>					
Distributions payable	341,407	-	-	-	341,407
Financial liabilities held at fair value through profit or loss	10,845,839	-	-	-	10,845,839
Payables	98,956	-	-	-	98,956
Net assets attributable to unit holders	<u>21,824,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,824,004</u>
<b>Contractual cash flows (excluding gross settled derivatives)</b>	<u>33,110,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,110,206</u>

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

	Less than 1 month \$	1 to 6 months \$	6 to 12 months \$	1 to 2 years \$	Total \$
<b>30 June 2012</b>					
<b>Liabilities</b>					
Distributions payable	1,229,606	-	-	-	1,229,606
Financial liabilities held at fair value through profit or loss	10,086,752	-	-	-	10,086,752
Due to brokers	4,558	-	-	-	4,558
Payables	4,726,276	-	-	-	4,726,276
Net assets attributable to unit holders	<u>15,786,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,786,980</u>
<b>Contractual cash flows (excluding gross settled derivatives)</b>	<u>31,834,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,834,172</u>

#### (e) Fair value estimation

The carrying amounts of the Trust's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

##### (i) Fair value in an active market

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

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

The quoted market price used for financial assets held by the 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

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.



### 3 Financial risk management (continued)

#### (f) Fair value hierarchy

##### (i) Classification of financial assets and financial liabilities

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2013 and 30 June 2012.

As at 30 June 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
<b>Financial assets at fair value through profit and loss:</b>				
Equity securities	21,765,210	-	-	21,765,210
<b>Total</b>	<b>21,765,210</b>	<b>-</b>	<b>-</b>	<b>21,765,210</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading:</b>				
Equity securities sold short	10,845,839	-	-	10,845,839
<b>Total</b>	<b>10,845,839</b>	<b>-</b>	<b>-</b>	<b>10,845,839</b>
As at 30 June 2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
<b>Financial assets designated at fair value through profit and loss:</b>				
Equity securities	23,250,141	-	-	23,250,141
<b>Total</b>	<b>23,250,141</b>	<b>-</b>	<b>-</b>	<b>23,250,141</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading:</b>				
Equity securities sold short	10,086,752	-	-	10,086,752
<b>Total</b>	<b>10,086,752</b>	<b>-</b>	<b>-</b>	<b>10,086,752</b>

### 3 Financial risk management (continued)

#### (f) Fair value hierarchy (continued)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include the over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

There have been no transfers between levels 1, 2 and 3 during the year.

### 4 Other operating expenses

	Year ended	
	30 June 2013	30 June 2012
	\$	\$
Finance costs	103,795	127,123
Futures commission	31,183	99,774
Other expenses	2,469	68,824
	<b>137,447</b>	<b>295,751</b>

### 5 Remuneration of auditors

During the year the following fees were paid or payable by the Responsible Entity on behalf of the Trust for services provided by the auditor for the Trust:

	Year ended	
	30 June 2013	30 June 2012
	\$	\$
<b>PricewaterhouseCoopers</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial statements	8,278	9,100
Audit of compliance plan	1,429	1,428
<b>Total remuneration for audit and other assurance services</b>	<b>9,707</b>	<b>10,528</b>
<b>Taxation services</b>		
Tax compliance services (Non PwC)	7,000	3,400
<b>Total remuneration for tax services</b>	<b>7,000</b>	<b>3,400</b>
<b>Total remuneration of PwC</b>	<b>9,707</b>	<b>10,528</b>
<b>Total non PwC</b>	<b>7,000</b>	<b>3,400</b>

## 6 Net gains on financial instruments held at fair value through profit or loss

	Year ended	
	30 June 2013	30 June 2012
	\$	\$
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	4,906,548	6,383,059
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	906,138	4,075,217
Total net gains/(losses) on financial instruments held at fair value through profit or loss	5,812,686	10,458,276

## 7 Net assets attributable to unitholders

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

	Year ended			
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	No. '000	No. '000	\$ '000	\$ '000
<b>Opening balance - excluding treasury units</b>	19,143,381	2,859,758		
Unit split	-	22,679,528		
Applications	9,782,776	3,714,329		
Redemptions	(5,119,502)	(10,302,078)		
Units issued upon reinvestment of distributions	1,198,693	191,844		
Reconstruction due to restructure	(2,244,883)	-		
<b>Closing balance - excluding treasury units</b>	22,760,465	19,143,381		
<b>Opening balance - treasury units</b>	-	-		
Applications	1,191,818	-		
Redemptions	-	-		
<b>Closing balance - treasury units</b>	1,191,818	-		
<b>Opening balance - including treasury units</b>	19,143,381	2,859,758	15,786,980	26,933,099
Unit split	-	22,679,528	-	-
Applications	10,974,594	3,714,329	8,039,599	6,160,713
Redemptions	(5,119,502)	(10,302,078)	(4,473,499)	16,057,404
Units issued upon reinvestment of distributions	1,198,693	191,844	1,042,368	1,011,189
Reconstruction due to restructure	(2,244,883)	-	-	-
Increase/(decrease) in net assets attributable to unitholders			1,428,556	(2,260,617)
<b>Closing balance - excluding treasury units</b>	23,952,283	19,143,381	21,824,004	15,786,980

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

### 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.

## 8 Distribution to unitholders

The distributions for the year were as follows:

	Year ended			
	30 June 2013		30 June 2012	
	\$	CPU	\$	CPU
<b>Quoted units</b>				
Distributions payable	<u>339,146</u>	<u>1.50</u>	-	-
Total distributions	<u>339,146</u>	<u>1.50</u>	-	-
<b>Unquoted units</b>				
Distributions paid	931,428	3.92	789,691	2.80
Distribution payable	<u>2,261</u>	<u>1.50</u>	<u>1,229,606</u>	<u>6.42</u>
Total distributions	<u>933,689</u>	<u>5.42</u>	<u>2,019,297</u>	<u>9.22</u>

## 9 Cash and cash equivalents

	As at	
	30 June 2013	30 June 2012
	\$	\$
Cash at bank	<u>10,988,029</u>	<u>8,368,127</u>
Total	<u>10,988,029</u>	<u>8,368,127</u>

## 10 Financial assets held at fair value through profit or loss

	As at	
	30 June 2013	30 June 2012
	Fair value \$	Fair value \$
<b>Designated at fair value through profit or loss</b>		
Equity securities	<u>21,765,210</u>	<u>23,250,141</u>
Total designated at fair value through profit or loss	<u>21,765,210</u>	<u>23,250,141</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>21,765,210</u>	<u>23,250,141</u>
<b>Comprising:</b>		
<b>Equity securities</b>		
Australian equity securities	<u>21,765,210</u>	<u>23,250,141</u>
Total equity securities	<u>21,765,210</u>	<u>23,250,141</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>21,765,210</u>	<u>23,250,141</u>

## 11 Financial liabilities held at fair value through profit or loss

	As at	
	30 June 2013	30 June 2012
	Fair value	Fair value
	\$	\$
<b>Designated at fair value through profit or loss</b>		
Equity securities sold short	<u>10,845,839</u>	<u>10,086,752</u>
Total designated at fair value through profit or loss	<u>10,845,839</u>	<u>10,086,752</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>10,845,839</u>	<u>10,086,752</u>
<b>Comprising:</b>		
<b>Equity securities sold short</b>		
Australian equity securities	<u>10,845,839</u>	<u>10,086,752</u>
Total equity securities	<u>10,845,839</u>	<u>10,086,752</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>10,845,839</u>	<u>10,086,752</u>

## 12 Related party transactions

### Responsible Entity

The Responsible Entity of Aurora Dividend Income Trust (Managed Fund) is Aurora Funds Management Limited.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were executives or directors of Aurora Funds Management Limited at any time during the financial year were as follows:

John Corr  
 Alastair Davidson  
 Simon Lindsay  
 Richard Matthews (Resigned as a director on 3 May 2013)  
 Stuart Roe

#### (b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly during the financial year.

### Key management personnel unitholdings

At 30 June 2013 no key management personnel held units in the Trust (2012: Nil).

### Key management personnel compensation

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

### Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

## 12 Related party transactions (continued)

### Other transactions within the Trust

During the current financial year, the Trust transferred the unit registry functions to ShareandFund Pty Ltd which is owned by one of the directors Steuart Roe. The transactions between ShareandFund Pty Ltd and the Responsible Entity are detailed below:

	Year ended	
	30 June	30 June
	2013	2012
	\$	\$
Fees paid to ShareandFund Pty Ltd by the Responsible Entity on behalf of the Trust	444	-
	444	-

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Trust during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

### 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:

- (i) management fee payable to the Responsible Entity is 1.5375% (GST inclusive, net of RITC) per annum.
- (ii) performance fee of 20.5% (GST inclusive, net of RITC) per annum is applied to the total excess between the Total Unit Holder Return (TUR) and the S&P ASX 200 Accumulation Index.

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

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

	30 June 2013	30 June 2012
	\$	\$
Management fees for the year paid by the Trust to the Responsible Entity/investment manager	229,464	187,806
Performance fees for the year paid by the Trust to the Responsible Entity/investment manager	52,023	65,484

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

## 12 Related party transactions (continued)

### Related party unit holdings

Parties related to the Trust (including the Responsible Entity, its related parties and other schemes managed by the Responsible Entity) held units in the Trust as follows:

**30 June 2013**

Unitholder	Units held No.	Fair value of investment \$	Interest held %	Distributions paid/payable by the Trust \$
Aurora Sandringham Dividend Income Trust	-	-	-	1,042,368

30 June 2012

Unitholder	Units held No.	Fair value of investment \$	Interest held %	Distributions paid/payable by the Trust \$
Aurora Sandringham Dividend Income Trust	19,104,605	15,438,431	99.80	1,542,184

### Investments

The trust held investments in the following scheme which is also managed by the Responsible Entity:

**30 June 2013**

Trust Name	Units held No.	Fair value of investment \$	Interest held %	Distributions received/ receivable \$
Aurora Sandringham Dividend Income Trust	-	-	-	112,888

30 June 2012

Trust Name	Units held No.	Fair value of investment \$	Interest held %	Distributions received/ receivable \$
Aurora Sandringham Dividend Income Trust	3,448,364	3,017,319	13.40	222,225

### 13 Reconciliation of profit/(loss) to net cash inflow from operating activities

	Year ended	
	30 June 2013	30 June 2012
	\$	\$
<b>(a) Reconciliation of profit/(loss) to net cash inflow from operating activities</b>		
Increase/(decrease) in net assets attributable to unitholders	1,428,556	(2,260,617)
Distributions to unit holders	1,272,835	2,019,297
Proceeds from sale of financial instruments held at fair value through profit or loss	132,175,116	409,454,335
Purchase of financial instruments held at fair value through profit or loss	(124,141,823)	(383,308,331)
Net gains on financial instruments held at fair value through profit or loss	(5,812,686)	(10,458,276)
Net change in receivables	(9,322)	28,441
Net change in payables	(4,627,320)	4,715,343
<b>Net cash inflow from operating activities</b>	<b>285,356</b>	<b>20,190,192</b>
<b>(b) Non-cash financing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<b>1,042,368</b>	<b>1,011,189</b>

As described in note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

### 14 Events occurring after reporting period

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 Balance Sheet as at 30 June 2013 or on the results and cash flows of the Trust for the year ended on that date.

### 15 Commitments

There were no commitments for expenditure at 30 June 2013 (2012 - nil).

### 16 Contingent assets and liabilities

There were no contingent assets and liabilities at 30 June 2013 (2012: nil).



## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statement and notes set out on pages 8 to 30 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Steuart Roe

Director

Sydney, NSW  
30 September 2013



## **Independent auditor's report to the unitholders of Aurora Dividend Income Trust**

### ***Report on the financial report***

We have audited the accompanying financial report of Aurora Dividend Income Trust (the registered scheme), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the financial report***

The directors of Aurora Funds Management Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

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



*Auditor's opinion*

In our opinion:

- (a) the financial report of Aurora Dividend Income Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

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

PricewaterhouseCoopers

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

Joe Sheeran  
Partner

Sydney  
30 September 2013