

# **Aurora Absolute Return Fund**

**ARSN 110 303 430**

**Interim Financial Report**

**For the half-year ended 31 December 2020**

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# Director's Report

The directors of Aurora Funds Management Limited (AFML) (ABN 69 092 626 885), in its capacity as the responsible entity of the Aurora Absolute Return Fund ("the Fund"), present their interim report together with the condensed financial statements of the Fund for the half-year ended 31 December 2020, and the auditor's report thereon.

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

## Principal activities

The Fund invests in the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) (the "Master Fund" or "AFARF"), in accordance with the provisions of the Fund Constitution, the current Product Disclosure Statement ("PDS") and Fund updates on the ASX.

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

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

As detailed on the Fund's website, ABW was removed from the ASX on 1 March 2021 due to not paying ASX annual fees.

Despite the NSW Supreme Court (in May 2019) and the NSW Court of Appeal (in September 2020) having found that Primary Securities Limited is not and never has been the responsible entity of ABW. Aurora was awarded costs in both proceedings and is now actively pursuing the recovery of these costs.

## Directors

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

John Patton  
Victor Siciliano  
Anthony Hartnell AM

	31 December 2020	30 June 2020
Units on issue	8,134,136	8,134,136

## Review and results of operations

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

In March 2020, The World Health Organisation declared the outbreak of a novel coronavirus (COVID - 19) as a pandemic, which continues to spread globally. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is considerable uncertainty regarding the breadth and duration of the business disruptions related to COVID -19. The Fund continues to monitor the performance of its investments closely.

## Financial results for the half-year

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

	31 December 2020 \$	31 December 2019 \$
Operating profit/(loss) before finance costs attributable to unitholders	(157,611)	(62,792)
Distributions paid and payable	-	-
Distribution (cents per unit) 30 September	-	-
Distribution (cents per unit) 31 December	-	-

The Fund distributes all its net income each year to unitholders. ABW pays its distributable taxable income on a semi-annual basis (in respect of the periods ended 30 June and 31 December each year) up to 1.0% of NAV per period (up to 2.0% per annum). It is at the discretion of the board whether a distribution will be paid. For the 6 months ended 31 December 2020 the directors elected not to pay a distribution.

## Financial position

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

	31 December 2020 \$	30 June 2020 \$
At reporting period	0.1436	0.1792
High during period	0.1772	0.2228
Low during period	0.1436	0.1792

Based on the reviewed financial statements of the fund for the half-year period, the NTA at 31 December 2020 is \$0.1422 per unit.

# Director's Report

## Information on Underlying Performance

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

## Strategy and Future Outlook

The Fund invests in the Master Fund which 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 Fund provides regular updates, including monthly NTA announcements, which can be found in the announcement section of the Australian Securities Exchange website.

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

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

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

## Significant changes in state of affairs

On 30 August 2019, Primary advised AFML that it had filed a Notice of Appeal with the Supreme Court of NSW Court of Appeal ("Court of Appeal") on 29 August 2019. On 13 and 14 February 2020, the appeal by Primary Securities Limited ("Primary") was heard in the Court of Appeal. On 23 September 2020, the Court of Appeal handed down its decision, being:

1. Refuse the appellant (being Primary) leave to file a further amended notice of appeal.
2. Order that the appeal be dismissed with costs.

An Order has been issued by the Supreme Court of New South Wales requiring Primary to pay the costs that AFML has incurred in this matter, however the costs to be reimbursed by Primary to AFML have not yet been paid. The amount of unrecovered legal costs incurred by AFML to date is \$517,856 (excluding GST) - with \$336,651 (excluding GST) relating to the original Court Case and a further \$181,205 (excluding GST) relating to the Appeal. Since the end of the court cases, AFML's lawyers have been working on making a claim against Primary for these costs. Any future recoveries from Primary will be booked to income when they are received.

## RNY Property Trust (ASX: RNY)

For the half year ended 31 December 2020, the Master Fund which holds RNY has adopted significant judgements and estimates to calculate the fair value of this investment. The key sources of estimation uncertainty and fair value measurement in relation to RNY are outlined in Note 3.

## Aurora Property Buy-Write Income Trust (ASX: AUP)

The Master Fund's investment in Aurora Property Buy-Write Income Trust ("AUP") is valued at \$3.2269 per unit.

## Molopo Energy Ltd. (MPO)

On 25 February 2021, Molopo released its Quarterly Cash Flow Statement for the quarter ended 31 December 2020. Based on the information contained in this Quarterly Cash Flow Statement, Aurora has reassessed the carrying value of the master trust in Molopo and has decided to write the value of its investment down from 0.4 cents to nil.

The above activities have led to an impact on the Net Tangible Assets of the fund which has reduced the calculated price to \$0.1422 which is lower than the price released to the ASX on 18 January 2021 of \$0.1436.

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

As detailed above, The Fund was removed from the ASX on 1 March 2021.

No other matters or circumstances have arisen since 31 December 2020 that have significantly affected, or may significantly affect:

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

Aurora notes that Molopo is still pursuing its former directors in Court for substantial damages which has not yet been resolved but, if successful, is likely to result in a material benefit for the Master Fund.

# Director's Report

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

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

## **Indemnity of auditors**

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

## **Cost recovery and interests held in the Fund by the Responsible Entity or its associates**

Costs recovered by the Responsible Entity and its associates out of Fund property during the year are disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 9 to the financial statements.

## **Interests in the Fund**

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

The values of the Fund's assets and liabilities are disclosed in the Statement of Financial Position and derived using the basis set out in Note 4 of the financial statements.

## **Environmental regulation**

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

## **Proceedings on behalf of the Company**

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

## **Auditor's independence declaration**

A copy of the 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  
2 August 2021  
Melbourne

## Auditor's Independence Declaration

To the Directors of Aurora Funds Management Limited as the responsible entity of Aurora Absolute Return Fund

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Aurora Absolute Return Fund for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 2 August 2021

# Financial Statement

## Condensed Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2020

	Note	Half-year ended	
		31 December 2020	31 December 2019
		\$	\$
<b>Investment income</b>			
Interest income		-	1
Net gains/(losses) on financial instruments held at fair value through profit or loss		(72,287)	107,437
<b>Total net investment income/(loss)</b>		<b>(72,287)</b>	<b>107,438</b>
<b>Expenses</b>			
Operating expenses	10	85,324	170,230
<b>Total operating expenses</b>		<b>85,324</b>	<b>170,230</b>
<b>Operating profit/(loss) for the half-year</b>		<b>(157,611)</b>	<b>(62,792)</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	6	-	-
Decrease in net assets attributable to unitholders	5	157,611	62,792
<b>Profit/(loss) for the half-year</b>		<b>-</b>	<b>-</b>
Other comprehensive income for the half-year		-	-
<b>Total comprehensive income for the half-year</b>		<b>-</b>	<b>-</b>
<b>Earnings/(loss) per unit (basic/ diluted)</b>		<b>(0.019)</b>	<b>(0.008)</b>

# Financial Statement

## Condensed statement of financial position As at 31 December 2020

	Note	As at	
		31 December 2020 \$	30 June 2020 \$
<b>Assets</b>			
Cash and cash equivalents	7	155	126
Dividends receivable		-	-
Receivables		2,853	11,154
Financial assets held at fair value through profit or loss	8	1,677,201	1,749,487
<b>Total assets</b>		<b>1,680,209</b>	<b>1,760,767</b>
<b>Liabilities</b>			
Distributions payable	6	-	-
Redemption payable		2,982	2,982
Provision for legal fees		-	-
Other payables		520,892	443,839
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>523,874</b>	<b>446,821</b>
<b>Net assets attributable to unitholders – liability</b>	5	<b>1,156,335</b>	<b>1,313,946</b>
<b>Liabilities attributable to unitholders</b>		<b>(1,156,335)</b>	<b>(1,313,946)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>



# Financial Statement

## Condensed statement of changes in equity For the half-year ended 31 December 2020

	Half-year ended	
	31 December 2020 \$	31 December 2019 \$
Balance at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with unitholders in their capacity as unitholders	-	-
<b>Total operating expenses</b>	-	-
<b>Total equity at the end of the period</b>	-	-

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

# Financial Statement

## Condensed statement of cash flows For the half-year ended 31 December 2020

	Note	Half-year ended	
		31 December 2020 \$	31 December 2019 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		-	500,197
Dividends and distributions received		-	39,156
Interest received		-	1
Other income		-	-
GST recovered/(paid)		8,300	(4,407)
Legal and professional fees paid		-	(85,514)
Payments of other expenses		(8,271)	(422,276)
<b>Net cash inflow/(outflow) from operating activities</b>		29	27,157
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		-	946
Payments for redemptions by unitholders		-	-
Distributions paid to unitholders		-	(34,448)
<b>Net cash inflow/(outflow) from financing activities</b>		-	(33,502)
<b>Net (decrease)/increase in cash and cash equivalents</b>		29	(6,345)
Cash and cash equivalents at the beginning of the period		126	115
<b>Cash and cash equivalents at the end of the period</b>	7	155	(6,230)
<b>Non-cash financing activities</b>		-	946

# Notes to Financial Statements

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# Notes to Financial Statements

## Note 1. General information

The condensed interim financial statements cover Aurora Absolute Return Fund ("the Fund") as an individual entity. The Fund commenced operations on 4 July 2006 and was admitted to the Australian Securities Exchange ("ASX") on 10 July 2006, and is domiciled in Australia.

The Responsible Entity of the Fund is Aurora Funds Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Suite 613, Level 6, 370 St Kilda Road, Melbourne VIC 3004. The financial statements are presented in Australian currency.

It is recommended that these condensed financial statements are considered together with ASX announcements and in accordance with the provisions of the governing documents of the Fund, and any public announcements made by the Fund during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations arising under Corporations Act 2001 and ASX listing rules.

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

The interim financial report has been prepared on the basis of a going concern. The Fund has a closing cash position of \$155 and total creditors and other payables of \$520,892.

The Fund is fully invested in the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) (the "Master Fund" or "AFARF"), which currently has liquidity restrictions in place. In addition, the Fund has the benefit of Costs Orders from the Supreme Court of New South Wales and the NSW Court of Appeal, requiring Primary Securities Limited to reimburse the Fund for certain legal expenses paid in relation to the Court cases in 2019 and 2020. This has been disclosed as a contingent asset in Note 11.

The financial report has been prepared on a going concern basis because the Fund expects to be able to pay its debts as and when they fall due in the ordinary course of business for the next twelve months. The aggregate amount owed by the Fund to AFML, largely as a result of the legal costs incurred in relation to the Court case and Appeal by Primary Securities Limited, as well as for management and responsible entity fees, was \$520,892 at the end of the reporting period.

Pursuant to the Costs orders awarded to AFML, AFML is pursuing the recovery of legal costs from Primary Securities Limited. In the meantime, AFML has agreed to defer the cash payment of the balance owed to it until the Fund is in a position to pay these costs.

The financial statements were authorised for issue by the directors of the Responsible Entity as at the date of the directors' report.

## Note 2. Significant accounting policies

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

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

### (a) New and amended standards

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.

### (b) Basis of preparation

The accounting policies applied by the Trust in this condensed interim financial report are the same as those applied by the Fund in its Financial Report as at, and for, the year ended 30 June 2020.

# Notes to Financial Statements

## Note 2. Significant accounting policies (continued)

### Statement of compliance

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

The interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the annual financial report as at, and for, the year ended 30 June 2020.

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

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

### Note 3. Use of estimates and judgements

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

The significant judgement made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at, and for, the year ended 30 June 2020.

#### Key sources of estimation uncertainty

##### 1. Molopo Energy Limited (ASX: MPO)

As at 31 December 2020, the Master Fund 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.

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 0.4 cents as at 30 June 2020 to nil as at 31 December 2020. The rationale for this decision is summarised below:

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 \$8.368 million; less
- litigation provision of A\$8.571 million, being the Australian dollar equivalent of \$8.4 million Canadian dollars as at 31 December 2020. In the Molopo financial statements for the year ended 31 December 2018 this provision was removed as a liability in the balance sheet and disclosed as a contingent liability. It is still disclosed as a contingent liability in Molopo's financial statements for the year ended 31 December 2020. For the purpose of this valuation, Aurora has no reason to believe that this is not a reasonable estimate of the expected liability;
- divided by 249,040,648 ordinary shares on issue;
- equates to a negative value 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 the directors of Aurora based on all available information about Molopo as at the date of the 31 December 2020 interim financial report.

Aurora notes that Molopo is still pursuing its former directors in Court for substantial damages which has not yet been resolved but, if successful, is likely to result in a material benefit for the Master Fund. Aurora is pursuing other avenues to recover value that has been lost by the former directors of Molopo.

# Notes to Financial Statements

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

### 2 RNY Property Trust (ASX: RNY)

The Master Fund holds an investment in RNY Property Trust ("RNY") and Aurora Property Buy-Write Income Trust ("AUP"). The Directors have determined to carry AFARF's and AUP's investment in RNY Property Trust ("RNY") at \$0.011 (being 1.1 cents) per unit at 31 December 2020. In reaching this position, the Directors considered the following factors:

- RNY was suspended from trading on the ASX on 1 April 2019, initially due to delays experienced in finalising its audited financial statements for the year ended 31 December 2018. Notwithstanding a clean review statement in relation to the financial statements for the half year ended 30 June 2020, the ASX suspension has not been lifted. Historically, RNY has traded at a discount to its underlying net asset position.
- On 29 June 2020, Keybridge Capital Limited ("Keybridge") announced its intention to make an off-market all scrip takeover bid for RNY at an implied offer price of \$0.011 per RNY unit ("Keybridge Offer"), with its Bidder's Statement being dispatched on 28 August 2020. On 28 September 2020, Keybridge issued a substantial holder notice stating it had acquired a relevant interest of 1.01% in RNY (from parties not related to AFML) through acceptances into the Keybridge Offer. AFML has also elected to accept a portion of the holdings of the Managed Investment Schemes for which it is the Responsible Entity into the Keybridge Offer. The Keybridge Offer will now close at 7pm on Wednesday 30 June 2021.

Having regard to the above factors and as a consequence of the acceptances into the Keybridge Offer, the implied offer price of \$0.011 per RNY unit is the most readily observable price for RNY securities. Therefore the directors have determined a fair value of \$0.011 per unit in RNY.

On 20 January 2021, Huntley Management Limited (Huntley), as responsible entity of RNY, announced that unitholders had passed a resolution to remove RNY from the Official List of the ASX. As a consequence of RNY's voting results, RNY was removed from the Official List of the ASX on 25 January 2021.

Aurora Funds Management in its capacity as the investment manager of RNY Property Trust which in turn owns RAOC, engaged expert third party valuers (CBRE) to update valuations for the property portfolio in response to the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020.

The expert third party valuations included the following Market Uncertainty relating to the Coronavirus:

*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore being reported as being subject to material valuation uncertainty.*

*Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather the declaration has been included to ensure transparency of the fact that - in the current extraordinary circumstances - less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.*

## Note 4. Fair value measurement

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

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

# Notes to Financial Statements

## Note 4. Fair value measurement (continued)

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

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

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models, volume weighted average prices 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 Fund holds.

### Recognised fair value measurements

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

The following tables detail the Fund'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:

31 December 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	1,677,201	-	1,677,201
<b>Total financial assets</b>	-	1,677,201	-	1,677,201
30 June 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	1,749,487	-	1,749,487
<b>Total financial assets</b>	-	1,749,487	-	1,749,487

The Fund's investment in unlisted unit trusts consists entirely of the Fund's investment in the Master Fund. The Fund's investment in the Master Fund is valued at \$0.2529 per unit, being the Unit Price of the Master Fund at 31 December 2020.

# Notes to Financial Statements

## Note 4. Fair value measurement (continued)

### Transfers between levels

There have been no transfers between levels for the half-year ended 31 December 2020 and the year ended 30 June 2020.

## Note 5. Net assets attributable to unitholders

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

	31 December 2020 No.	30 June 2020 No.	31 December 2020 \$	30 June 2020 \$
<b>Opening balance</b>	8,134,136	8,130,778	1,313,946	1,550,950
Applications	-	-	-	-
Redemptions	-	-	-	-
Buy backs	-	-	-	-
Units issued upon reinvestment of distributions	-	3,358	-	947
Increase/(decrease) in net assets attributable to unitholders	-	-	(157,611)	(237,951)
<b>Closing balance</b>	8,134,136	8,134,136	1,156,335	1,313,946

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

## Note 6. Distribution to unitholders

### Accounting policy for distribution to unitholders

The Fund distributes its distributable income in accordance with the Fund 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 7. Cash and Cash Equivalents

	As at	
	31 December 2020 \$	30 June 2020 \$
Cash at bank	155	126
<b>Total cash and cash equivalents</b>	155	126



## Notes to Financial Statements

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

	31 December 2020 \$	As at 30 June 2020 \$
<b>Designated at fair value through profit or loss</b>		
Unlisted unit trusts	1,677,201	1,749,487
<b>Total financial assets held at fair value through profit or loss</b>	<b>1,677,201</b>	<b>1,749,487</b>

### Note 9. Related party transactions

#### *Responsible Entity*

The Responsible Entity of Aurora Absolute Return Fund is Aurora Funds Management Limited. In the period to 31 December 2020, Aurora Funds Management Limited did not acquire or dispose of units in Aurora Absolute Return Fund.

#### *Key management personnel unitholdings*

As at 31 December 2020, Victor Siciliano, Executive Director, holds 93,535 (30 June 2020: 93,535) units in the Fund.

#### *Key management personnel compensation*

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

# Notes to Financial Statements

## Note 9. Related party transactions (continued)

### Related party unitholdings

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

31 December 2020	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	1,068,990	1,068,990	\$158,638	13.14%	-	-	-

### 30 June 2020

Aurora Funds Management Limited	1,068,990	1,068,990	\$188,035	13.14%	-	-	-
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### Other related party information

#### Aurora Corporate

Aurora Corporate Pty Ltd (formerly Seventh Orion Pty Ltd) as Trustee for the Aurora Investments Unit Trust (Aurora Corporate) owns 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity of Aurora Fortitude Absolute Return Fund.

Aurora Corporate Pty Ltd (formerly Seventh Orion Pty Ltd) is 50% owned by John Patton, the Managing Director of Aurora Funds Management Limited, and 50% owned by Victor Siciliano, an Executive 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. On 21 January 2020, Mr Patton retired from his position as director and chairman of Keybridge.
- Mr Patton was appointed to the Board of Metgasco Limited as a Non-Executive Director on 19 September 2016.
- Mr Patton was appointed to the Board of Yowie Group Limited as a Non-Executive Director on 5 February 2021.
- Mr Patton was appointed to the Board of Molopo Energy Limited as a Non-Executive Director on 5 July 2021.

### Investments

The Fund holds 6,631,871 units (30 June 2020: 6,631,871 units) in the Master Fund, the fair value of which is \$1,677,201 (30 June 2020: \$1,749,487).

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

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

	Half-year ended	
	31 December 2020 \$	31 December 2019 \$
Recoverable costs of Responsible Entity for the half-year paid/payable by the Trust to the Responsible Entity	33,886	33,886
Other expenses for the year paid/payable by the Fund to the Responsible Entity	51,438	136,343
Balance owing to to the Responsible Entity at the end of the reporting period	520,892	245,359

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

# Notes to Financial Statements

## Note 10. Operating expenses

	Half-year ended	
	31 December 2020 \$	31 December 2019 \$
Legal fees	-	85,514
Recoverable costs of Responsible Entity	33,886	33,886
Recovery expenses	51,437	50,829
Other operating expenses	1	1
<b>Total other operating expenses</b>	<b>85,324</b>	<b>170,230</b>

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

## Note 11. Contingent assets and liabilities

The Fund is disclosing a contingent asset based on monies which it expects to receive from Primary Securities Limited ("Primary").

Orders have been issued by the Supreme Court of New South Wales and the NSW Court Of Appeal requiring Primary to pay the costs that AFML has incurred in this matter, however the costs to be reimbursed by Primary to AFML have not yet been paid. The amount of unrecovered legal costs incurred by AFML to date is \$517,856 (Excluding GST). Since the end of the court cases, AFML's lawyers have been working on making a claim against primary for these costs. Any future recoveries from Primary will be booked to income when they are received.

On 30 August 2019, Primary advised AFML that it had filed a Notice of Appeal with the Supreme Court of NSW Court of Appeal ("Court of Appeal") on 29 August 2019. On 13 and 14 February 2020, the appeal by Primary was heard in the Court of Appeal. On 23 September 2020, the Court of Appeal handed down its decision, being:

1. Refuse the appellant (being Primary) leave to file a further amended notice of appeal.
2. Order that the appeal be dismissed with costs.

Given the uncertainty surrounding the receipt of these costs, a receivable has not been included on the Statement of Financial Position of the Fund at 31 December 2020. However, AFML expects to recoup these costs, and has recognised a contingent asset.

## Note 12. Events after the reporting period

As detailed earlier, the Fund was removed from the ASX on 1 March 2021.

Other than the above, as mentioned in the Directors' Report, no significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Condensed Statement of Financial Position as at 31 December 2020 or on the results and cash flows of the Fund for the half-year ended on that date.

The most recent publicly disclosed Net Asset Value (NAV) per unit is \$0.1299 cents per unit as at 30 June 2021.

## Director's Declaration

The Directors of the Responsible Entity declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as when they become due and payable;
- (b) In the directors' opinion, the attached condensed financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the condensed financial statements;
- (c) In the directors' opinion, the attached condensed financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- (d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001*.

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

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



John Patton  
Managing Partner  
2 August 2021

# Independent Auditor's Review Report

## To the Unitholders of Aurora Absolute Return Fund

### Report on the review of the half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of Aurora Absolute Return Fund (the Fund), which comprises the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Aurora Absolute Return Fund does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Aurora Absolute Return Fund's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Fund 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Emphasis of Matter – Valuation uncertainty

We draw attention to Note 3 in the financial report, which indicates that the net assets of the Fund's investment in Aurora Fortitude Absolute Return Fund includes investments in RNY Property Trust. It is indicated that the property valuation reports performed by the external valuer, CBRE, on each of the five properties owned by RNY Property Trust, contain market uncertainty clauses. Our conclusion is not modified in respect of this matter.

### Directors' responsibility for the half-year financial report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



B A Mackenzie  
Partner – Audit & Assurance

Melbourne, 2 August 2021