

HHY Fund

ARSN 112 579 129

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

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Directors' Report

The Directors of Aurora Funds Management Limited (ABN 69 092 626 885), the "Responsible Entity" of HHY Fund ("the Trust"), present their interim report together with the condensed consolidated financial statements of HHY Fund, consisting of the Trust and the entities it controlled at the end of, or during the half-year ended 31 December 2017, and the auditor's report thereon.

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

Principal activities

The principal activity of the Trust is to invest in accordance with its investment objectives and guidelines as set out in the Trust Constitution.

On 30 June 2016, Keybridge Capital Limited was appointed as Investment Manager of the Trust. The Trust did not have any employees during the half-year. The Trust is currently listed on the Australian Securities Exchange (ASX: HHY).

There were no significant changes in the nature of the Trust's activities during the half-year, other than the closure of the off-market Takeover Announcement made by Aurora Global Income Trust (of which Aurora is the Responsible Entity) on 13 October 2017. Refer to Significant changes in state of affairs on pages 3 and 4 for more detail.

Directors

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

John Patton

Jeffrey Schwarz (appointed 25 July 2017)

Victor Siciliano (appointed 9 January 2018)

Jim Hallam (resigned 25 July 2017)

Betty Poon (resigned 27 November 2017)

Units on Issue

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

	31 December 2017	30 June 2017
Units on issue	83,344,492	85,583,437

Review and results of operations

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

The investment policy of the Trust continues to be that detailed in accordance with the provisions of the governing documents of the Trust.

The operating profit after income tax and before finance costs attributable to unitholders for the half year ended 31 December 2017 was \$1,373,775 (31 December 2016: loss \$263,508).

Financial position

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

	31 December 2017 \$	30 June 2017 \$
At reporting period	0.131	0.114
High during period	0.131	0.128
Low during period	0.116	0.114

Directors' Report (continued)

Financial results for the half-year

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

	Half-year ended	
	31 December 2017	31 December 2016
Operating profit/(losses) before finance costs attributable to unitholders	1,373,775	(263,508)
Distributions paid and payable	-	-

Information on underlying performance

The performance of the Trust is subject to the performance of the Trust's underlying portfolio. There has been no change to the investment strategy of the Trust during the half-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 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's Constitution.

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

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

Significant changes in state of affairs

Takeover Bid

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

Matters subsequent to the end of the half-year

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

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

Indemnity and insurance of Aurora Funds Management Limited

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

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

Directors' Report (continued)

Indemnity of auditors

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

Fees paid to the Responsible Entity and its associates out of Trust property during the half-year are disclosed in Note 10 to the condensed consolidated financial statements.

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

Interests in the Trust

The movement in units on issue in the Trust during the half-year is disclosed in Note 5 of the condensed financial statements.

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

Environmental regulation

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

Proceedings on behalf of the Trust

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

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 6 of this financial report.

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



John Patton
Managing Director
28 February 2018

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Auditor's Independence Declaration to the Directors of Aurora Funds Management Limited as the responsible entity of HHY Fund

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

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 28 February 2018

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Financial Statements

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

	Notes	Consolidated Half-year ended	
		31 December 2017	31 December 2016
Investment income			
Interest income		65,461	69,870
Dividends and distribution income		157,086	112,066
Other operating income		-	-
Net foreign currency gains/(losses)		3,254	12,088
Net (losses)/gains on financial instruments held at fair value through profit or loss	13	1,427,238	(37,920)
Total net investment income		1,653,039	156,104
Management fees	9	33,533	41,841
Responsible Entity Fees	9	50,000	50,000
Audit and tax fees		40,880	53,570
Transaction costs		3,694	1,605
Other operating expenses	9,10	69,440	190,174
Legal and Professional costs	11	81,717	132,422
Total operating expenses		279,264	419,612
Operating (loss)/profit		1,373,775	(263,508)
Finance costs attributable to unitholder			
(Increase)/Decrease in net assets attributable to unitholders	5	(1,373,775)	263,508
Profit/ (loss) for the half-year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income		-	-
Earnings/loss per unit (basic / diluted)		\$0.016	\$(0.003)

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

Financial Statements

Condensed Consolidated Statement of Financial Position as at 31 December 2017

		Consolidated As at	
	Notes	31 December 2017 \$	30 June 2017 \$
Assets			
Cash and cash equivalents	6	3,129,547	4,525,204
Receivables		76,736	446,553
Due from brokers – receipts for securities sold		8,656	626,711
Financial assets held at fair value through profit or loss	7	8,286,620	4,718,692
Total assets		11,501,559	10,317,160
Liabilities			
Other creditors		29,418	47,531
Financial liabilities held at fair value through profit or loss	8	430,366	480,812
Other payables		178,195	37,242
Total liabilities (excluding net assets attributable to unitholders)		637,979	565,585
Net assets attributable to unitholders		10,863,580	9,751,575
Liabilities attributable to unitholders		(10,863,580)	(9,751,575)
Net assets		-	-

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

Financial Statements

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

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

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

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

Financial Statements

Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2017

		Consolidated Half-year ended	
	Notes	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities			
Net (purchases)/proceeds from sale of financial instruments held at fair value through profit or loss		(1,587,939)	1,316,889
Transaction costs on sale and purchase of financial instruments		(3,693)	(1,605)
Dividends and distributions received		156,105	117,151
Other income received		72,288	-
Interest received/(payment)		-	60,186
GST recovered/(paid)		(24,420)	8,733
Management and performance fees paid		(33,533)	(41,841)
Responsible entity fees		(50,000)	-
Other operating expenses paid		(62,695)	(415,746)
Net cash inflow/(outflow) from operating activities		(1,533,887)	1,043,767
Cash flows from investing activities			
Proceeds from unlisted loan security repayment		400,000	-
Net cash outflow from financing activities		400,000	-
Cash flows from financing activities			
Payments for share buy-backs	5	(261,770)	(800,904)
Net cash outflow from financing activities		(261,770)	(800,904)
Net increase/(decrease) in cash and cash equivalents		(1,395,657)	242,863
Cash and cash equivalents at the beginning of the period		4,525,204	2,503,189
Cash and cash equivalents at the end of the period	6	3,129,547	2,746,052

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

Notes to the Financial Statements

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Notes to the Financial Statements

1. General information

The condensed consolidated interim financial statements cover HHY Fund (“the Trust”) as an individual entity. The Trust commenced operations on 19 January 2005 and is domiciled in Australia.

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

The Investment Manager of the Trust is Keybridge Capital Limited.

On 31 July 2007, HHY International Holdings 1 Pty Ltd was incorporated in Australia as a company limited by shares. It has been 100% owned since the date of incorporation by the Trust.

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

The principal activities of the Trust during the half-year was the investment of Trust monies in accordance with its investment objectives and guidelines as set out in the investment strategy and in accordance with the provisions of the Trust Constitution.

2. Summary of significant accounting policies

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

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

(a) New and amended standards

There are no standards, interpretations or amendment to existing standards that are effective for the first time for the half-year beginning 1 July 2017 that have a material impact to the Trust.

(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 Trust in its Financial Report as at, and for, the year ended 30 June 2017.

Statement of compliance

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

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

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

The condensed consolidated 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.

(c) Basis of consolidation

The condensed consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Trust as at 31 December 2017 and the results of all subsidiaries for the half-year then ended. The Trust and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the assets transferred.

The consolidated financial statements of subsidiaries are prepared for the same reporting period as the Trust, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(d) Parent entity financial information

The financial information for the Trust, as disclosed in Note 13, has been prepared on the same basis as the consolidated financial statements.

3. Use of estimates and judgements

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

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

Key sources of estimation uncertainty

Just Kapital Limited Convertible Notes

As at 31 December 2017, the Trust held an investment in Just Kapital Limited Convertible Notes ("Just Kapital"), which are unlisted.

The Trust has adopted judgements and estimates to fair value of this investment.

Background

Just Kapital Limited is an ASX listed litigation funder. Just Kapital Limited convertible bonds acquired by The Trust include the following terms:

- The Trust subscribed to Just Kapital at a face value of \$300,000;
- The interest rate on Just Kapital is 11.5% per annum (accrued daily and payable quarterly);
- Just Kapital can be redeemed early by the Company at any time, triggering a 10% premium payment in cash;
- Just Kapital can be redeemed early by the Company with agreement of the bond holders at a 10% discount to the 5-day VWAP shares; and
- Just Kapital can be converted to ordinary shares at the option of the bond holder at any time at \$0.30 per share to the July 2018 realisation date.

Valuation considerations

- Just Kapital Limited is going through a growth phase expanding its balance sheet (doubled from FY16) while incurring losses. The Company redeeming early is unlikely.
- Using a Black and Scholes model, the option value is immaterial.
- For the purposes of 31 December 2017 financial statements, and after careful consideration of the available information, management has considered the range of possible values and determined that the fair value of Just Kapital Limited to be \$320,230 as at 31 December 2017.

Notes to the Financial Statements

3. Use of estimates and judgements (continued)

FastTrack Pty Limited Convertible Notes

As at 31 December 2017, the Trust held an investment in FastTrack Pty Limited Convertible Notes ("FastTrack"), which are unlisted. The Trust has adopted judgements and estimates to fair value of this investment.

Background

- FastTrack is a privately held software as a service recruitment software developer.
- As FastTrack is currently seeking to expand its user base. There is significant judgement applied when valuing the FastTrack debt/equity/options given the unobservable inputs (such as counterparty credit spread and share price), therefore the valuation has been based on how much the investor believes in the FastTrack value proposition, and ability to effectively monetise it in future.
- FastTrack have issued notes acquired by the Trust, and contain an embedded derivative with the following terms:
 - The company can redeem early, but must pay a 25% premium if it does so;
 - In the event FastTrack lists: on listing the investor receives a 25% premium to the share price on listing;
 - In the event that FastTrack is sold via a trade sale, the cash received is equivalent to 25% discount to the implied value of the shares sold.

Valuation considerations

- As a growing software as a service company, the value of the business is in the 'concept' which is in the eye of the holder. There may be parties that believe the business has IPO / trade sale potential, but equally some may not.
- In the last 12mths, Aurora received a verbal offer to acquire the instrument at issue face value (less transaction costs), effectively valuing the derivative at nil.
- As a privately-owned company, there is not sufficient trade data to value the option.
- Accordingly, for the purposes of 31 December 2017 financial statements, and after careful consideration of the available information, management has considered the range of possible values and determined that the fair value of FastTrack Pty Ltd to be \$307,502 (representing principal plus accrued interest) as at 31 December 2017.

4. Fair value measurement

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

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

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

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

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

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

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

Notes to the Financial Statements

4. Fair value measurement (continued)

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

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

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

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

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

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.

Recognised fair value measurements

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

	Level 1	Level 2	Level 3	Total
31 December 2017				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	7,658,887	-	-	7,658,887
Unlisted convertible securities	-	-	627,733	627,733
Total financial assets	7,658,887	-	627,733	8,286,620
Financial liabilities				
Financial liabilities held for trading:				
Listed equity securities	430,366	-	-	430,366
Total financial liabilities	430,366	-	-	430,366
	Level 1	Level 2	Level 3	Total
30 June 2017				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	4,136,357	-	-	4,136,357
Unlisted convertible securities	-	-	582,336	582,336
Total financial assets	4,136,357	-	582,336	4,718,693
Financial liabilities				
Financial liabilities held for trading:				
Listed equity securities	480,812	-	-	480,812
Total financial liabilities	480,812	-	-	480,812

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

Notes to the Financial Statements

4. Fair value measurement (continued)

Transfers between levels

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

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorized within level 3 of the fair value hierarchy, together with sensitivity analysis as at 30 June 2017 and 30 June 2016 are shown in the following table:

Investment	Valuation Technique	Significant unobservable inputs	Range of inputs	Sensitivity of the input to fair value
Just Kapital Limited Convertible Notes	Accumulation method	Principal plus accrued interest. Discounted coupon rate.	Dec 17: 9.5% to 13.5% Jun 17: 9.5% to 13.5%	2% (Jun 17: 2%) increase / (decrease) in the range of coupon rates used would result in an increase / (decrease) of \$6,316/ (\$6,160) (Jun 17: \$6,316/ (\$6,160))
FastTrack Pty Limited Convertible Notes	Accumulation method	Principal plus accrued interest. Discounted coupon rate.	Dec 17: 11.7% to 15.7% Jun 17: 11.7% to 15.7%	2% (Jun 17: 2%) increase / (decrease) in the range of coupon rates used would result in an increase / (decrease) of \$10,152/ (\$9,224) (Jun 17: \$10,152/ (\$9,224))

5. Net assets attributable to unitholders

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

	31 December 2017 No.	30 June 2017 No.	31 December 2017 \$	30 June 2017 \$
Opening balance	85,583,437	95,408,193	9,751,575	12,212,799
Buybacks	(2,238,945)	(9,824,756)	(261,770)	(1,188,106)
Buybacks unsettled				
Increase/(decrease) in net assets attributable to unitholders			1,373,775	(1,273,118)
Closing balance	83,344,492	85,583,437	10,863,580	9,751,575

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

6. Cash and cash equivalents

	31 December 2017 \$	As at 30 June 2017 \$
Cash at bank	3,129,547	4,525,204
Total cash and cash equivalents	3,129,547	4,525,204

Notes to the Financial Statements

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

	31 December 2017 \$	As at 30 June 2017 \$
Financial assets held at fair value through profit or loss		
Equity securities		
Australian listed equity securities	7,124,459	3,260,212
International equity securities	534,428	876,144
Unlisted convertible notes	627,733	582,336
Total financial assets	8,286,620	4,718,692

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

	31 December 2017 \$	As at 30 June 2017 \$
Financial liabilities held at fair value through profit or loss		
Equity securities		
Australian listed equity securities	430,366	251,241
International equity securities sold short	-	229,571
Total financial liabilities	430,366	480,812

9. Related party transactions

Responsible Entity

The Responsible Entity of HHY Fund is Aurora Funds Management Limited.

Key management personnel unitholdings

No key management personnel of HHY Fund held units in the Trust.

Key management personnel compensation

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

Related party unitholdings

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

31 December 2017	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed
Keybridge Capital Limited	22,646,973	25,146,973	3,286,709	30.17%	2,500,000	-
30 June 2017	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed
Keybridge Capital Limited	22,646,973	22,646,973	2,584,020	26.46%	-	-

Notes to the Financial Statements

9. Related party transactions (continued)

Other related party information

Seventh Orion

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

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

Directorships

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

- Mr Patton was appointed to the Board of Metgasco Limited as a Non-Executive Director on 19 September 2016. The Trust holds an investment in Metgasco Limited of \$2,432,445 (June 2017: \$499,341)

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:

- Management fee payable to the Investment Manager, who is Keybridge Capital, is 0.75% (inclusive of GST, net of RITC) per annum;
- Responsible Entity fee payable to the Responsible Entity is \$100,000 (excluding GST) per annum;
- Reimbursement expenses.

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

	Half-year ended	
	31 December 2017 \$	31 December 2016 \$
Management fees for the half-year paid/payable by the Trust to the Investment manager, who is Keybridge Capital	33,533	41,841
Responsible Entity fees paid/payable to the Responsible Entity at the end of the reporting period	50,000	50,000
Aggregate amount payable to the Responsible Entity at the end of the reporting period	83,218	37,055

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

10. Other operating expenses

	31 December 2017 \$	31 December 2016 \$
Responsible Entity fees	50,000	50,000
Bank fees	-	2,976
Other operating expenses	19,440	137,198
Total other operating expenses	69,440	190,174

The Trust incurred operating expenses in the preparation of accounting records and the maintenance of the unit register in accordance with the Trust Constitution.

Notes to the Financial Statements

11. Legal and Professional Fees

	31 December 2017 \$	31 December 2016 \$
Legal and professional fees	81,717	132,422
Total legal and professional costs	81,717	132,422

The Trust incurred legal costs in relation to the general meeting called by Wilson Asset Management (International) Limited and in relation to the takeover offer for HHY, including legal and independent expert advice.

12. Net (losses)/gains on financial instruments held at fair value through profit or loss

	31 December 2017 \$	31 December 2016 \$
Net realised gains/(losses) on financial instruments held at fair value through profit or loss	1,427,238	(37,920)
Net foreign exchange gains on cash and cash equivalents	3,254	12,087
Total net gains/(losses) on financial instruments held at fair value through profit or loss	1,430,492	(25,833)

13. Parent entity financial information

	31 December 2017 \$	30 June 2017 \$
Statement of Financial Position		
Total assets	11,501,559	10,317,160
Total liabilities	(637,979)	(565,585)
Net assets attributable to unitholders	10,863,580	9,751,575
Statement of Comprehensive Income		
Operating profit/(loss) before finance costs attributable to unitholders	1,373,775	(263,508)
Profit for the half-year	-	-
Total comprehensive income for the half-year	-	-

14. Contingent assets and liabilities

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

15. Events occurring after the reporting period

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

Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached condensed consolidated financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the condensed consolidated financial statements;
- (c) In the directors' opinion, the attached condensed consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- (d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001*.

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

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



John Patton
Managing Director
28 February 2018

Independent Auditor's Review Report to the Unitholders of HHY Fund

Report on the Half Year Financial Report

Conclusion

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

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

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

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

Auditor's Responsibility

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

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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 28 February 2018