

HHY Fund

ARSN 112 579 129

Consolidated Annual Report For the year ended 30 June 2016

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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 report together with the consolidated financial statements of HHY Fund, consisting of the Trust and the entities it controlled at the end of, or during the financial year ended 30 June 2016.

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 2015, Aurora Funds Management was appointed as Responsible Entity of the Trust.

In July 2015, the Responsible Entity completed a strategic review of the Trusts investment strategy.

In August 2015, the Responsible Entity enhanced the investment strategy of the Trust to include the ability to invest in listed Australian and international equities, unlisted Australian and international equities, options, convertible securities, other derivative securities as well as allowing the Trust to short sell and use borrowings.

On 1 July 2016, Keybridge Capital was appointed as Investment Manager of the Trust.

The Trust did not have any employees during the year.

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

There were no other 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 and up to the date of this report unless otherwise indicated:

John Patton (appointed 30 June 2016)

Jim Hallam (appointed 30 June 2016)

Betty Poon (appointed 7 September 2015)

Antony Sormann (appointed 25 February 2016, resigned 30 June 2016)

Jamie Schwarz (appointed 25 February 2016, resigned 30 June 2016)

John Corr (resigned 27 June 2016)

Ian Steuart Roe (resigned 7 September 2015)

Simon Lindsay (resigned 14 June 2016)

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 position

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

	30 Jun 2016 \$	30 Jun 2015 \$
At 30 June	0.129	0.110
High during period	0.129	0.260
Low during period	0.109	0.110

Directors' Report

Financial results for the year

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

	2016 \$'000	2015 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	1,668	(11,657)
Distributions paid and payable	-	26,600
Special Distribution – 31 July	-	25.80 cpu
Distribution - quarter ended 30 September	-	-
Distribution - quarter ended 31 December	-	-
Distribution - quarter ended 31 March	-	-
Distribution - quarter ended 30 June	-	-

Information on underlying performance

The performance of the Trust is subject to the performance of the Trust's underlying portfolio. During the year, the investment strategy of the Trust was enhanced to include the ability to invest in listed Australian and international equities, unlisted Australian and international securities, options, convertible securities, other derivative securities as well as allowing the Trust to short sell and use borrowings. 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, providing unitholders with exposure to high yield securities in the form of loans and hybrid securities, listed Australian and international securities, options, convertible securities and other derivative securities. 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 monthly NTA announcements, which can be found in the announcement section of the ASX website.

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.

Significant changes in state of affairs

On 30 June 2016, Seventh Orion Pty Ltd as trustee for the Aurora Investments Unit Trust (Seventh Orion) acquired 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity of HHY Fund.

In the opinion of the Directors, other than the matters already referred to in this report, there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

Matters subsequent to the end of the financial year

On 1 July 2016, Keybridge Capital Limited was appointed Investment Manager of the Fund.

On 23 August 2016, the Responsible Entity issued a Notice of Meeting to be held on 29 September 2016. Three resolutions, (1) Removal of current Responsible Entity; (2) Appointment of new Responsible Entity; and (3) Winding up of the Fund, are to be voted on.

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 13 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 13 to the financial statements.

Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in Note 8 of the financial statements.

The values of the Trust's assets and liabilities are disclosed on the Statement of Financial Position and derived using the 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.

Directors' Report

Information on directors

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

Jim Hallam (appointed 30 June 2016)

B Economics, Accounting, Non-Executive Director

Jim was appointed as Non-Executive Director of Aurora Funds Management Limited on 30 June 2016. Jim has over 20 years' finance and operational experience in Australian funds and investment management experience. Focused on building strong strategically important processes to create and support funds management, Jim's expertise in finance includes his role as CFO at Hastings Funds Management Limited from 1997 to 2006. Whilst at Hastings, funds under management grew from A\$500 million to A\$3,600 million, with investments being made in Australia, UK and the US for listed and unlisted funds. His experience spans a diverse range of businesses including toll roads, airports, electricity and gas transmission networks, water utilities, timber plantations, telecommunications, ports and stadiums.

John Patton (appointed 30 June 2016)

B Economics, Executive Director, Managing Director

John was appointed Executive Director and Managing Director of Aurora Funds Management Limited on 30 June 2016. John was previously a partner with Ernst & Young in the Transactions Advisory Services division and has over 25 years of professional services and industry experience. John has extensive corporate finance credentials, having been involved in over 250 corporate transactions, including mergers & acquisitions, structuring, debt & equity raisings, IPO's, management buy-outs, valuations, due diligence, financial modelling, restructuring and corporate advisory.

Betty Poon (appointed 7 September 2015)

BBus Accounting, Executive Director, Company Secretary

Betty was appointed Executive Director of Aurora Funds Management Limited on 7 September 2015. She joined Aurora Funds Management Limited in May 2013 as Chief Financial Officer and was appointed Company Secretary on 31 January 2014. Prior to joining Aurora, Betty held a number of senior finance roles at ANZ Banking Group, JP Morgan, Aviva Investors and Pitcher Partners.

Antony Sormann (appointed 25 February 2016, resigned 30 June 2016)

B Economics, Executive Director

Antony was appointed Executive Director of Aurora Funds Management Limited on 25 February 2016 and resigned on 30 June 2016. Antony has over 18 years' experience in investment banking and legal advisory services, including 9 years as a director of SLM Corporate Pty Ltd and 6 years working in the investment banking division of N.M. Rothschild & Sons (Australia) Limited of which 2 years were as an executive in the Rothschild Group's New York office.

James Schwarz (appointed 25 February 2016, resigned 30 June 2016)

James was appointed Executive Director of Aurora Funds Management Limited on 25 February 2016 and resigned on 30 June 2016. James has over 18 years' experience in merchant banking, corporate finance and private equity investment.

John Corr (resigned 27 June 2016)

B Comm, Executive Director, Chief Investment Officer

John was Executive Director of Aurora Funds Management Limited up until his resignation on 27 June 2016. John has over 28 years' experience in the financial markets. Prior to establishing Fortitude Capital Pty Ltd, he was a director at Citigroup Global Markets Australia. He worked in proprietary trading for 8 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 was responsible for the overall portfolio and risk management of Aurora's various investment funds.

Directors' Report

Information on directors(continued)

Ian Steuart Roe (resigned 7 September 2015)

BSc MAppFin, Executive Director

Steuart was Executive Director of Aurora Funds Management Limited up until his resignation on 7 September 2015. Steuart was a founder of Sandringham Capital Pty Limited, a related company to the Responsible Entity until its sale to Keybridge Capital Limited. 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.

Simon Lindsay (resigned 14 June 2016)

B. BUS, Executive Director, Head of Distribution

Simon was Managing Director of Aurora Funds Management Limited up until his resignation on 14 June 2016. Simon was a founding director of Aurora Funds Management Limited and was responsible for the Australian and New Zealand distribution of Aurora Funds Management Limited's products.

Interests held by the Responsible Entity and Directors

The number of units in the Trust held by the Responsible Entity, their related parties and Directors at the date of this report are disclosed in Note 3 to the financial statements.

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 year

Rounding of amounts to the nearest thousand dollars

The Trust is an entity of the kind referred to in Class Order 98/100 (as amended) issued by ASIC relating to the "rounding" of amounts in the directors' report. Amounts in the directors' report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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 of this financial report.

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



John Patton
Managing Director
28 September 2016



Auditor's Independence Declaration

As lead auditor for the audit of HHY Fund for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of HHY Fund and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'Elizabeth O'Brien', written in a cursive style.

Elizabeth O'Brien
Partner
PricewaterhouseCoopers

Melbourne
28 September 2016

PricewaterhouseCoopers, ABN 52 780 433 757

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Corporate Governance Statement

The HHY Fund (the “Trust”) is a registered managed investment scheme under the *Corporations Act 2001* whose units are listed on the Australian Securities Exchange (ASX). Aurora Funds Management Limited (“Aurora”) is the Responsible Entity and Investment Manager of the Trust.

The Responsible Entity’s directors and management recognize the importance of good corporate governance. The Responsible Entity’s corporate governance framework, policies and practices are designed to ensure the effective management and operation of the Trust, and will remain under regular review.

The Corporate Governance Statement reports against the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (“ASX Recommendations”). To the extent that they are relevant to the Trust, the ASX Recommendations have been adopted by the Trust. Where, after due consideration, the Trust’s corporate governance practice departs from an ASX Recommendation, the Corporate Governance Statement will set out the reasons for departure.

1. Lay solid foundations for management and oversight

Role and responsibilities of the Board

The primary role of the Board of the Responsible Entity is to operate the Trust in accordance with the Constitution, the ASX Listing rules and the *Corporations Act 2001*. The Board must ensure it acts in the best interests of unitholders and that the activities of the Trust are conducted in a proper and efficient manner.

Key responsibilities of the Board include:

- reviewing the performance of management, including the Portfolio Manager and the adequacy of resources allocated to Aurora;
- providing input into the final approval of management’s strategy and performance objectives for the Trust;
- reviewing and if appropriate approving significant transactions;
- reviewing the Trust’s policies and procedures;
- oversight and ensuring compliance with best practice corporate governance requirements;
- ensuring the risk management systems, including internal controls, operating systems and compliance processes, are operating efficiently and effectively; and
- establishing formal committees to assist such as the Compliance Committee.

Role of management

Management is responsible for all matters not specifically the responsibility of the Board and for implementing the strategy and performance objectives of the Trust and its day to day operations.

The Board has granted specific delegated authorities to management, including developing and implementing the Trust’s investment strategy, managing the risk and compliance framework, the day to day management and administration of the Trust and ensuring compliance with applicable laws and regulations. The Board oversees the activities of management and provides strategic guidance.

2. Structure the board to add value

The appointment of Directors of the Responsible Entity is governed by the Constitution and the *Corporations Act 2001*. The Board’s policy and procedure for the selection of Directors is included in the Board charter.

The Board currently comprises 3 directors: John Patton and Betty Poon as Executive Directors and Jim Hallam as Non-Executive Director. The independence obligations of the Board are fulfilled by the Compliance Committee. The Board considers all relevant circumstances in determining whether a Compliance Committee member is independent, including:

- units owned directly or indirectly by the committee member;
- employment by the Responsible Entity (or its associates) of the committee member (or a family member);
- business relationship between the Responsible Entity (or associates of the committee member (or a family member) or business entity associated with the committee member or with service providers in whom the committee member has an interest;
- any material contractual relationship with the Responsible Entity or its associates other than as a committee member; and
- any other interest or relationship (e.g. as a material supplier or customer) which could interfere with the committee member’s ability to act in the best interests of the Responsible Entity.

Corporate Governance Statement

2. Structure the board to add value (continued)

The Compliance Committee operates under a Compliance Committee Charter, and is responsible for monitoring the Responsible Entity's compliance with the Compliance Plan and reporting any breaches to the Board and ASIC. It is also responsible for reviewing the operations of the Responsible Entity.

Compliance Committee Composition

The Compliance Committee for the Responsible Entity comprises:

- Mr David Lewis (external)
- Mr Mark Hancock (external) (resigned 29 July 2016)
- Ms Kim Rowe (external) (appointed 29 July 2016)

Mr David Lewis is a qualified actuary and has over 43 years' experience in financial services, predominantly in administration and consulting to fund management companies. David serves on the compliance committees of a number of Responsible Entities.

Mr Mark Hancock is a qualified actuary and has over 31 years' experience in the securities and funds management industry. Mark has significant applied research experience in Australian Equity markets accumulated from a variety of roles over a period of some 20 years. He was previously an equity portfolio manager with NRMA and MMI Insurance.

Ms Kim Rowe is a chartered accountant with over 20 years' experience in accounting, governance and risk management within the funds management industry. Kim has a Bachelor of Commerce from the University of Melbourne, is a member of Chartered Accountants Australia and New Zealand and is a member of the Australian Institute of Company Directors.

The external members of the Compliance Committee are nominated and remunerated by the Responsible Entity. The Committee is convened and serviced by Aurora's CFO, Betty Poon. The Compliance Committee Charter is available at Aurora's website www.aurorafunds.com.au.

The details of Aurora's directors during the financial year, including their respective skills, experience, relevant expertise and term of office, are set out on page 5-6.

3. Promote ethical and responsible decision making

Code of Conduct

Aurora has established a Code of Conduct which outlines the acceptable standards of behavior and attitudes expected from staff. The purpose of this Code of Conduct is to:

- Articulate the high standards of honest, ethical and law-abiding behavior that Aurora expects of its staff;
- Encourage the observance of those standards so as to protect and promote the interests of unitholders;
- Set out the responsibilities and accountabilities of Directors to report and investigate reports of unethical practices.

Security Trading

Aurora has established a Security Trading Policy which applies to all staff, Directors and Officers. The aim of the policy is to ensure that public confidence is maintained in Aurora's employees and the trading of units in the Trust.

The Security Trading Policy prohibits trading in the Trust's units by persons in possession of non-public inside information and regulates trading during trading windows and blackouts.

Under the policy, staff, Directors and Officers must provide details of any trade of units in the Trust to the Company Secretary.

Corporate Governance Statement

4. Safeguard integrity in financial reporting

In accordance with section 295A of the *Corporations Act 2001*, the Chief Executive Officer and Chief Financial Officer have declared in writing to the Board that the financial records of the Trust for the financial year have been properly maintained and the Trust's financial statements present a true and fair view of the financial position and performance and are in accordance with relevant accounting standards.

PriceWaterhouseCoopers is the current auditor for the Responsible Entity, the Trust and the Compliance Plan. The Board reviews the results of the external audit process of the Trust and the Compliance Plan to ensure:

- The Trust and Compliance auditor are appropriately qualified and legally eligible to act at all times;
- The terms of their appointment are appropriate and accord with the *Corporations Act 2001*; and
- The auditors have access to all relevant information as required.

The external auditors are invited to attend Board and Compliance Committee meetings where financial reports and compliance plan audits are discussed.

As at the date of this statement, no board committees have been established by Aurora.

5. Make timely and balanced disclosure

As the Responsible Entity of an ASX quoted Trust, the Trust must comply with the continuous disclosure provisions of the ASX Listing rules.

The Trust is required to immediately notify the ASX of any information concerning the Trust of which it is or becomes aware, which a reasonable person would expect to have a material effect on the price or value of units in the Trust.

The Managing Director and the Company Secretary have been appointed as the persons responsible for communicating with the ASX. These people are also responsible for ensuring compliance with the continuous disclosure requirements in the ASX Listing rules.

6. Respect the rights of unitholders

The Trust has procedures in place to ensure that all unitholders have access to timely information concerning the operations of the Trust. The Managing Director and Company Secretary are the primarily responsible for ensuring communications with unitholders.

The Trust principally communicates with unitholders through its website, which contains the following information:

- Current and archived annual and half year financial statements;
- ASX announcements;
- Significant developments relating to the Trust; and
- Current and archived monthly Net Tangible Asset announcements.

7. Recognise and manage risk

The Board and management recognise that having a well-developed system in place for risk management is an integral part of good management practice. Aurora actively promotes a culture of compliance and risk management awareness with the aim of ensuring all activities comply with laws, regulations, policies and procedures.

Aurora has designed and implemented a risk management and internal control process to manage its business risks and the business risks of the managed investment schemes that it operates.

Corporate Governance Statement

Compliance Plan

The purpose of the compliance plan is to set out key processes, systems and measures the Responsibility Entity will apply to ensure compliance with:

- The Corporations Act;
- The Constitution of the Trust;
- Industry practice standards relevant to the Trust; and
- Internal policies and procedures.

The Compliance Plan describes the key obligations that the Responsible Entity must meet under the *Corporations Act 2001* and the Constitution of the Trust, the measures in place to comply with these obligations and how compliance with these measures is monitored.

In respect of the financial year end, the Board has received the following certifications:

- Certification from the Chief Executive Officer and Chief Financial Officer that the Trust's financials statements and notes represent a true and fair view of its financial position and performance, and comply with the requirements of the *Corporations Act 2001*, and Accounting Standards; and
- The risk management and internal compliance control systems are sound, appropriate, operating efficiently and effectively managing material business risks.

The Compliance Plan of the Trust is audited each year. The audit report, which is lodged with ASIC, includes an assessment on:

- Whether the procedures and controls set out in the Compliance Plan sufficiently address the requirements of the *Corporations Act 2001*; and
- If the controls and procedures described in the Compliance Plan have been in place and operating effectively over the financial year.

8. Remunerate fairly and responsibly

Members of the senior executive team of the Responsible Entity signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

The Board is responsible for the review of the performance of the Board and senior management. The review of the managing director is carried out, and approved by, the Board. The performance of senior management (that is, those who report directly to the Managing Director) is reviewed at the end of each financial year by the Executive Directors.

At the review:

- (a) performance objectives and development plans are set (having regard to both the corporate goals set by the Board and individual performance goals) for the forthcoming financial year; and
- (b) individual performance is assessed against last year's performance objectives and the amount of "at risk" remuneration to be paid and securities to be granted under the parent entity's incentive plan is determined by reference to that individual's performance.

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Investment income			
Interest income		74	1,093
Dividends and distribution income		313	-
Net gains/(losses) on cash and cash equivalents		(6)	(93)
Net gains/(losses) on financial instruments held at fair value through profit or loss	7	1,695	(11,950)
Other operating income		66	-
Total net investment income		2,142	(10,950)
Expenses			
Responsible Entity and Management fees	13	176	114
Audit and tax fees	6	64	41
Other operating expense	5	234	402
Total operating expenses		474	557
Operating profit before income tax		1,668	(11,507)
Income tax expense		-	150
Operating profit after income tax		1,668	(11,657)
Finance costs attributable to unitholder			
Distribution to unitholders	9	-	(26,600)
(Increase)/decrease in net assets attributable to unitholders	8	(1,668)	38,257
Profit/ (loss) for the year		-	-
Other comprehensive income			
Movement in foreign currency translation reserve		-	(68)
Total other comprehensive income		-	(68)
Other comprehensive income		-	68
Total comprehensive income		-	-

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

Financial Statements

Consolidated Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Cash and cash equivalents	10	2,503	11,611
Receivables		494	5
Financial assets held at fair value through profit or loss	11	9,822	-
Total assets		12,819	11,616
Liabilities			
Due to brokers – payable for securities		39	-
Current tax liabilities	12	-	158
Other payables		11	138
Financial liabilities held at fair value through profit or loss	11	556	-
Total liabilities (excluding net assets attributable to unitholders)		606	296
Net assets attributable to unitholders	8	12,213	11,320
Liabilities attributable to unitholders		(12,213)	(11,320)
Net assets		-	-

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

Financial Statements

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Balance at the beginning of the financial year			
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-
Transactions with unitholders in their capacity as unitholders		-	-
Total equity at the end of the financial year		-	-

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

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

Financial Statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit/(loss)		6,344	-
Purchase of financial instruments held at fair value through profit/(loss)		(14,339)	-
Transaction costs on purchase of financial instruments at fair value through profit/(loss)		(21)	-
Dividends and distributions received		290	-
Interest received		74	1,247
Other income received		66	-
Income tax refunded/(paid)		(129)	-
GST recovered/(paid)		(50)	(5)
Management fees paid		(75)	-
Other operating expenses paid		(504)	(552)
Net cash inflow/(outflow) from operating activities	14(a)	(8,344)	690
Cash flows from investing activities			
Proceeds from unlisted loan security repayments		-	21,330
Proceeds from sale of unlisted securities		-	6,438
Proceeds from settlement of derivative contracts		-	11
Net cash inflow/(outflow) from investing activities		-	27,779
Cash flows from financing activities			
Distributions paid		-	(26,600)
Buy-backs	8	(764)	-
Net cash inflow/(outflow) from financing activities		(764)	(26,600)
Net increase/(decrease) in cash and cash equivalents		(9,108)	1,869
Cash and cash equivalents at the beginning of the year		11,611	9,790
Effects of exchange rate changes on cash and cash equivalents			(48)
Cash and cash equivalents at the end of the financial year	10	2,503	11,611
Non-cash financing activities		-	-

The above 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

These consolidated 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 Level 4, 1 Alfred Street, Sydney, NSW 2000. The financial statements are presented in the Australian currency.

On 1 July 2015, Hastings Funds Management resigned as Responsible Entity for HHY Fund and Aurora Funds Management Limited was appointed as the new Responsible Entity.

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 consolidated 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 year ended 30 June 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The principal activities of the Trust during the financial year was to invest funds 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.

The consolidated 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 consolidated 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.

(a) Basis of preparation

Statement of compliance

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. HHY Fund is a for-profit unit trust for the purpose of preparing the consolidated financial statements. The directors are satisfied that these consolidated financial statements are prepared on a going concern basis.

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

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

Compliance with International Financial Reporting Standards

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Trust as at 30 June 2016 and the results of all subsidiaries for the 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. 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.

(c) Parent entity financial information

The financial information for the Trust, as disclosed in Note 15, has been prepared on the same basis as the consolidated financial statements.

(d) New and amended standards

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact to the trust

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting period and have not been early adopted by the Trust as disclosed in the table below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

The Trust has not yet assessed the potential impact of these standards.

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.

(f) Financial instruments

(i) Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise financial instruments designated at fair value through profit or loss upon recognition, including:

- financial assets that are not held for trading purposes and which may be sold; and
- investments in listed equities and unit trusts.

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. The Trust pays a security borrowing fee for short sales which are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

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 consolidated 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 it becomes party to the contractual agreement (trade date) and recognise 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 Profit or Loss and Other 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 Trust 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Further details on how the fair values of financial instruments are determined are disclosed in Note 4.

(iv) *Offsetting financial instruments*

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

The Trust has no offsetting arrangement in place during the financial year 30 June 2016 (2015: nil).

(g) Net assets attributable to unitholders

Net assets attributable to unitholders comprise the residual interest in the assets of the Trust after deducting its liabilities. It is represented by issued units and undistributed profit/(loss) attributable to unitholders.

As units issued by the Scheme are classified as financial liabilities, any amounts paid or payable as well as net asset movements attributable to unitholders are recorded.

(h) Cash and cash equivalents

For the purpose of presentation in the Consolidated 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 Consolidated Statement of Financial Position.

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.

(i) 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(c).

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 the Statement of Profit or Loss and Other 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.

(j) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(k) 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.

(l) Distributions

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

(m) Increase/decrease in net assets 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 Profit or Loss and Other Comprehensive Income as finance costs.

(n) Foreign currency translation

(i) Functional and presentation currency

Items included in the Trust's consolidated 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

(o) 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(i). 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(p) Receivables (continued)

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

(q) 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 Consolidated Statement of Financial Position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(r) Goods and Service Tax (GST)

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

(s) Use of estimates

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.

No estimates and assumptions were used that offset the reported amounts of assets and liabilities in the consolidated financial statements. For the majority of the Trust's financial instruments, quoted market prices are readily available. 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.

(t) Segment information

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

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

3. Financial risk management

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

The Trust's overall risk management program 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. Up until 30 June 2016, 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"). From 1 July 2016, financial risk management is carried out by the investment manager, Keybridge Capital Limited, and is subject to an investment management agreement approved by the Board of Directors of the Responsible Entity.

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 risk 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 Investment Manager, Keybridge Capital Limited and is subject to an investment management agreement approved by the Board of Directors of 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 or which prices in the future are uncertain. Investments are classified in the Consolidated Statement of Financial Position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

A sensitivity analysis was performed showing how the effect of a 10% increase (2015: 10%) and a 10% decrease (2015: 10%) in market prices would have increased/decreased the impact on operation profit/net assets attributable to unitholders as at 30 June 2016. The results of this analysis are disclosed in Note 3(b).

(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 currency and no sensitivity analysis was performed.

(iii) Cash flow and fair value interest rate risk

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

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

Notes to the Financial Statements

3. Financial risk management (continued)

(a) Market risk (continued)

A sensitivity analysis was performed showing how the effect of a 100 basis point increase (2015: 100 basis point) and a 100 basis point decrease (2015: 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 2016. The results of this analysis are disclosed in Note 3(b).

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

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
2016	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	2,503	-	-	2,503
Receivables	-	-	494	494
Financial assets held at fair value through profit or loss	-	141	9,681	9,822
Financial liabilities				
Due to brokers – payables for securities purchased	-	-	(39)	(39)
Other payables	-	-	(11)	(11)
Financial liabilities held at fair value through profit or loss	-	-	(556)	(556)
Net exposure	2,503	141	9,569	12,213

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
2015	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	11,611	-	-	11,611
Receivables	-	-	5	5
Financial assets held at fair value through profit or loss	-	-	-	-
Financial liabilities				
Due to brokers – payable for securities purchased	-	-	-	-
Other payables	-	-	(296)	(296)
Financial liabilities held at fair value through profit or loss	-	-	-	-
Net exposure	11,611	-	(291)	11,320

Notes to the Financial Statements

3. Financial risk management (continued)

(b) Summarised sensitivity analysis

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

	Price Risk		Interest rate risk	
	Impact on operating profit/net assets attributable to unitholders			
	-10%	+10%	-100bps	+100bps
	\$'000	\$'000	\$'000	\$'000
30 June 2016	(926)	926	(25)	25
30 June 2015	-	-	(116)	116

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 fall due.

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

Concentrations of credit risk are minimised primarily by:

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

The Trust has a brokerage agreement with Interactive Brokers and Taylor Collison, the Trust's broker. Under the Interactive Brokers agreement some of the Trust's assets will be pledged as collateral for amounts drawn under the overdraft facility. There was no overdraft position as at 30 June 2016 (2015: nil).

The Trust has a material credit risk exposure to the banks (ANZ and Interactive Brokers) that hold the Trust's cash assets at 30 June 2016.

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

Cash at bank with broker and short term bank deposits	2016 \$'000	2015 \$'000
AA (ANZ Bank)	642	-
BBB (Interactive Broker)	1,860	11,611
Total	2,502	11,611

Notes to the Financial Statements

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 A or higher.

In accordance with the Trust's Constitution, the investment manager monitors the Trusts' 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.

Any securities purchased or short sold must be issued by or over companies from within the ASX-listed property index.

In order to manage the Trusts' 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 of the Responsible Entity 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 Trusts' 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.

2016	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	Total \$'000
Liabilities					
Financial liabilities held at fair value through profit or loss	556	-	-	-	556
Due to brokers – payable for securities purchased	-	-	-	-	-
Payables	11	-	-	-	11
Net assets attributable to unitholders	12,213	-	-	-	12,213
Contractual cash flows (excluding gross settled derivatives)	12,780	-	-	-	12,780

Notes to the Financial Statements

3. Financial risk management (continued)

2015	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$	1 to 2 years \$	Total \$
Liabilities					
Financial liabilities held at fair value through profit or loss	-	-	-	-	-
Due to brokers – payable for securities purchased	-	-	-	-	-
Payables	296	-	-	-	296
Net assets attributable to unitholders	11,320	-	-	-	11,320
Contractual cash flows (excluding gross settled derivatives)	11,616	-	-	-	11,616

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.

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.

Notes to the Financial Statements

4. Fair value measurement (continued)

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 at fair value for the year ended 30 June 2016 and 30 June 2015.

	Level 1	Level 2	Level 3	Total
2016	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	9,681	-	-	9,681
Unlisted convertible securities		141	-	141
Total financial assets	9,681	141	-	9,822
Financial liabilities				
Financial liabilities held for trading:				
Listed equity securities sold short	556	-	-	556
Total financial liabilities	556	-	-	556
	Level 1	Level 2	Level 3	Total
2015	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	-	-	-	-
Financial assets held for trading:				
Derivatives	-	-	-	-
Total financial assets	-	-	-	-
Financial liabilities				
Financial liabilities held for trading:				
Derivatives	-	-	-	-
Total financial liabilities	-	-	-	-

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

Transfers between levels

There have been no transfers between levels for the year ended 30 June 2016 and 30 June 2015.

5. Other operating expenses

	2016	2015
	\$'000	\$'000
Hastings Financials Prep 2015	50	-
Hastings Other Expenses	15	-
IRESS / ASX	15	-
Bank	5	-
Registry	63	-
Insurance	20	-
Compliance	12	-
Various Other	54	402
Total other expenses	234	402

Notes to the Financial Statements

6. 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 of the Trust. The auditor of the Trust is PriceWaterhouseCoopers.

	2016 \$	2015 \$
Audit and other assurance services		
Audit and review of financial statements	48,770	32,087
Audit of compliance plan	15,000	9,405
Total remuneration for audit and other assurance services	63,770	41,492

7. Net gains on financial instruments held at fair value through profit or loss

	2016 \$'000	2015 \$'000
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss	75	(26,016)
Net unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,620	14,066
Total net gain on financial instruments held at fair value through	1,695	(11,950)

The net realised gain of \$75,000 (2015: net realized loss \$26,016,000) is recognized on disposal of financial assets and liabilities against their fair value upon initial recognition. The unrealised gain of \$1,620,000 (2015: \$14,066,000) is the market movement of financial assets and financial liabilities held during the financial year ended 30 June 2016.

8. Net assets attributable to unitholders

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

	2016 No. '000	2015 No. '000	2016 \$'000	2015 \$'000
Opening balance	103,070	103,070	11,320	49,577
Buybacks	(7,662)	-	(764)	-
Buybacks Unsettled	-	-	(11)	-
Distributions to unitholders	-	-	-	(26,600)
Increase in net assets attributable to unitholders	-	-	1,668	11,657
Closing balance - including treasury units	95,408	103,070	12,213	11,320

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.

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.

Notes to the Financial Statements

9. Distributions to unitholders

The distributions for the year were as follows:

	2016		2015	
	\$'000	cpu	\$'000	cpu
Distributions paid	-	-	26,600	25.8
Total distributions	-	-	26,600	25.8

10. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank	2,503	11,611
Total cash and cash equivalents	2,503	11,611

11. Financial assets and liabilities held at fair value through profit or loss

	2016 \$'000	2015 \$'000
Financial assets held at fair value through profit or loss		
Australian listed equity securities	9,219	-
International equity securities	462	-
Unlisted convertible notes	141	-
Total financial assets	9,822	-

Financial liabilities held at fair value through profit or loss		
Australian listed equity securities sold short	556	-
Total financial liabilities	556	-

Total financial assets	9,265	-
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An overview of the risk exposure relating to financial assets at fair value through profit or loss is included in Note 3.

12. Current tax liabilities

	2016 \$'000	2015 \$'000
Current tax liabilities	-	158
Total current tax liabilities	-	158

Certain entities that were part of the Group are subject to income tax. The current tax liability on the taxable income is for the year ended 30 June 2015 based on the applicable income tax for each entity's jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Notes to the Financial Statements

13. Related party transactions

Responsible Entity

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

Key management personnel unitholdings

The key management personnel of HHY Fund held units in the Trust as follows:

	No. of units held opening ('000)	No. of units held closing ('000)	Interest held	No. of units acquired ('000)	No. of units disposed ('000)
2016					
	-	-	0%	-	-

	No. of units held opening ('000)	No. of units held closing ('000)	Interest held	No. of units acquired ('000)	No. of units disposed ('000)
2015					
Other Westpac entities	4,351	3,439	4.22%	1,010	1,922

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:

	No. of units held opening ('000)	No. of units held closing ('000)	Interest held	No. of units acquired ('000)	No. of units disposed ('000)
2016					
Keybridge Capital Limited	20,614	20,647	20.0^%	33	-

	No. of units held opening ('000)	No. of units held closing ('000)	Interest held	No. of units acquired ('000)	No. of units disposed ('000)
2015					
Keybridge Capital Limited	-	20,614	21.6%	20,614	-

Other transactions within the Trust

During the financial year, the Trust transferred the unit registry functions to Registry Direct which is part owned by one of the former employees and directors of the Responsible Entity, Steuart Roe. The transactions between Registry Direct and the Trust are detailed below:

	2016	2015
	\$	\$
Fees paid to Registry Direct by the Responsible Entity on behalf of the Trust	7,982	-

Apart from those details disclosed in this note, no other 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.

Notes to the Financial Statements

13. Related party transactions (continued)

Other related party information

On 30 June 2016, Seventh Orion Pty Ltd as trustee for the Aurora Investments Unit Trust (Seventh Orion) acquired 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity of HHY Fund.

The sole owner of Seventh Orion Pty Ltd is John Patton, the Managing Director of Aurora Funds Management Limited.

John Patton was appointed Non-Executive Director of Keybridge Capital Limited on 10 August 2016.

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 0.75% (inclusive of GST, net of RITC) per annum.
- (ii) Performance fee payable to the Responsible Entity.
- (iii) Reimbursement expenses (including Responsible Entity admin fee).

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

	2016 \$'000	2015 \$'000
Management fees for the year paid by the Trust to the Responsible Entity	76	114
Performance fees for the year paid by the Trust to the Responsible Entity	-	-
Reimbursement of expenses	234	55
Aggregate amounts paid to the Responsible Entity at the end of the reporting period	100	20

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

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

	2016 \$'000	2015 \$'000
(a) Reconciliation of profit to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	1,668	(11,657)
Changes in Operating assets and liabilities:		
Financial instruments at fair value	(9,266)	12,043
Net change in receivables	(489)	182
Net change in liabilities	(257)	126
Net change in foreign currency translation reserves	-	(4)
Net cash inflow/(outflow) from operating activities	(8,344)	690

Notes to the Financial Statements

15. Parent entity financial information

Summary of financial information

	2016 \$'000	2015 \$'000
Statement of Financial Position		
Total assets	12,819	11,829
Total liabilities	(606)	(510)
Net assets attributable to unitholders	12,213	11,319
Statement of Comprehensive Income		
Operating profit/(loss) before finance costs attributable to unitholders	-	(11,782)
Profit for the year	-	-
Total comprehensive income for the year	-	-

16. Events occurring after the reporting period

As at 30 June 2016 Aurora Funds Management Limited was investment manager of the HHY Fund.

On 1 July 2016, Keybridge Capital Limited was appointed Investment Manager of the Fund.

On 23 August 2016, the Responsible Entity issued a Notice of Meeting to be held on 29 September 2016. Three resolutions, (1) Removal of current Responsible Entity; (2) Appointment of new Responsible Entity; and (3) Winding up of the Fund, are to be voted on.

17. Commitments

There were no commitments for expenditure at 30 June 2016 (2015: Nil).

18. Contingent assets and liabilities

There were no contingent assets and liabilities at 30 June 2016 (2015: Nil).

Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards as stated in Note 2(a) to the financial statements;
- (c) In the directors' opinion, the attached 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 and performance of the Trust; and
- (d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001*.

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



John Patton
Managing Director
28 September 2016



Independent auditor's report to the members of HHY Fund

Report on the financial report

We have audited the accompanying financial report of HHY Fund (the Trust), which comprises the consolidated statement of financial position as at 30 June 2016, 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 year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for HHY Fund (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at year's end or from time to time during the financial year.

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, 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 consolidated 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of HHY Fund (the Trust) for the year ended 30 June 2016 included on Aurora Funds Management Limited's web site. The Trust's directors are responsible for the integrity of Aurora Funds Management Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Elizabeth O'Brien'.

Elizabeth O'Brien
Partner

Melbourne
28 September 2016

Additional Information

Additional Information

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

Target Asset Allocation

Asset allocation ranges are as follows:

Cash and cash equivalents	0 – 100%
Australian and international loans and hybrid securities	0 – 100%
Australian and international listed equities	0 – 100%
Australian and international unlisted securities	0 – 100%

Investment Strategy

The Scheme aims to achieve an income return, whilst seeking to preserve the capital of the Scheme over both rising and falling equity markets.

The Manager may invest in:

1. Common stock, preferred stock, preference shares, warrants or rights to subscribe to or purchase such securities or other equity instruments in relation to entities that are listed on the ASX, NZX and other foreign exchanges defined below;
2. Derivative instruments including futures and options listed on the ASX, NZX and Sydney Futures Exchange.
3. Listed and unlisted securities issued by Australian and international entities, options, convertible securities, and other derivative securities;
4. Listed and unlisted managed investment schemes;
5. Cash and other short dated securities of a maximum duration of twelve months, which includes cash on deposit with the Custodian, clearer and Bank Bills with an Australian domiciled and regulated bank.
6. A deposit account(s) with a regulated bank(s).

Unitholder Information

The unitholder information set out below was applicable as at 26 August 2016.

Distribution of holdings

Range	Total holders	Units	% of issued units
1 to 1,000	119	37,177	0.04
1,001 to 5,000	284	922,224	0.97
5,001 to 10,000	335	2,653,736	2.79
10,001 to 100,000	809	23,474,452	24.69
100,001 and over	57	68,005,119	71.51
Total	1,604	95,092,708	100.00

Largest Unitholders

The names of the 20 largest unitholders of ordinary units as at 26 August 2016 are listed below:

Holder name	Quantity	% held of total issued
KEYBRIDGE CAPITAL LIMITED	20,646,973	21.71%
RBC INVESTOR SERVICES AUSTRALIA PTY LIMITED	19,033,404	20.02%
IOOF INVESTMENT MANAGEMENT LIMITED	4,271,768	4.49%
CITICORP NOMINEES PTY LIMITED	2,688,003	2.83%
LIC INVESTMENTS PTY LTD	2,400,000	2.52%
LOG CREEK PTY LTD	2,334,243	2.45%
MR PETER ANDREW JENZEN + MRS BERENDINA HERMINA JENZEN	1,200,000	1.26%
JENZEN INVESTMENTS PTY LTD	1,100,000	1.16%
BT PORTFOLIO SERVICES LIMITED	968,362	1.02%
CSALT SUPER PTY LTD	807,379	0.85%
FORSYTH BARR CUSTODIANS LTD	774,053	0.81%
MR REG JOHN GOLIN + MRS JILLIAN MARY GOLIN	700,000	0.74%
G CHAN PENSION PTY LTD	617,956	0.65%
MR WARWICK SAUER	603,398	0.63%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	562,551	0.59%
MR GENNARINO BARTOLOMEO + MRS ANNA MARIA BARTOLOMEO	500,000	0.53%
KENTIA HOLDINGS PTY LTD	500,000	0.53%
MR GEORGE RAYMOND FILEWOOD	425,350	0.45%
MR ANTHONY MATHERS + MRS CATHERINE MATHERS	400,000	0.42%
RPD PTY LTD	392,723	0.41%
Total capital of top 20	60,926,163	64.07%
Total issued	95,092,708	100.00%

Substantial Holders

The substantial shareholders of the Trust as at 26 August 2016 are listed below:

Unitholder	Number of units	%
KEYBRIDGE CAPITAL LIMITED	20,646,973	21.71
Total	20,646,973	21.71

Corporate Directory

Directors of Responsible Entity

Jim Hallam
John Patton
Betty Poon

Company Secretary

Betty Poon

Registered Office

Level 4, 1 Alfred Street
Sydney, NSW 2000

Share Register

Registry Direct
Level 6
2 Russell Street
Melbourne, VIC 3000

Auditor and Taxation Advisor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Solicitors

To 30 June 2016
Baker & McKenzie
Level 27, AMP Centre
50 Bridge Street
Sydney, NSW 2000

From 1 July 2016
Atanaskovic Hartnell
Atanaskovic Hartnell House
75-85 Elizabeth Street
Sydney, NSW 2000

Securities Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: (HHY)

Website

<http://www.aurorafunds.com.au>