

Aurora Sandringham Dividend Income Trust

ARSN 108 249 154

Consolidated interim financial report For the half-year ended 31 December 2012

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This interim financial report does not include all the notes of the type normally included in an annual financial statement. Accordingly, this interim financial report is to be read in conjunction with the 30 June 2012 financial statements and any public announcements made in respect of Aurora Sandringham Dividend Income Trust during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This financial report covers the Aurora Sandringham Dividend Income Trust as a consolidated entity.

The Responsible Entity of the Aurora Sandringham Dividend Income Trust is Aurora Funds Management Limited (ABN 69 092 626 885).

The Responsible Entity's registered office is:
Level 2, 350 George Street
Sydney, NSW 2000.

Directors' report

The directors of Aurora Funds Management Limited (ABN 69 092 626 885), (the "Responsible Entity"), present their report together with the financial statements of Aurora Sandringham Dividend Income Trust ("the Trust") for the half-year ended 31 December 2012.

Principal activities

The principal activities of the Trust during the financial half-year were continuing its investment strategy in equities and derivative securities, in accordance with the provision of the Trust Constitution and the current Product Disclosure Statement.

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

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

Directors

The following persons held office as directors of the Responsible Entity during the half-year and up to the date of this report unless otherwise indicated:

John Corr
Alastair Davidson
Simon Lindsay
Richard Matthews
Steuart Roe

Units on issue

Units on issue in the Trust at the end of the half-year are set out below:

	31 December 2012 No.	30 June 2012 No.
Units on issue	23,841,166	25,606,798

Value of assets

The value of the Trust's assets and liabilities is on the Consolidated Balance Sheet.

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 the current Product Disclosure Statement and in accordance with the provisions of the governing documents of the Trust.

The method of valuation of the Trust's investment can have a significant impact on results.

Directors' report (continued)

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

	31 December 2012	31 December 2011
	\$	\$
Net operating profit/(loss)	1,969,780	(1,867,150)
<i>Distributions</i>		
Distribution - 30 September	303,182	351,662
Distribution - 31 December	299,403	337,310

A distribution of \$0.014 per unit (2011: \$0.014 per unit) was declared and provided for at the end of the half-year. Distributions of \$0.028 per unit were paid during the half-year (2011: \$0.028 per unit).

The performance of the Trust is available through the recent performance reports available on our website. Consistent with our statements in the governing documents of the Trust, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial half-year.

Matters subsequent to the end of the period

No matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust'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.

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 (continued)

Indemnity and insurance of officers

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's Constitution and the *Corporations Act*, the officers remain indemnified out of the assets of the Trust against any losses incurred while acting on behalf 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 half-year are disclosed in the Statement of Comprehensive Income.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

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



Steuart Roe
Director

Sydney
18 February 2013



Auditor's Independence Declaration

As lead auditor for the review of Aurora Sandringham Dividend Income Trust for the half year ended 31 December 2012, 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.

This declaration is in respect of Aurora Sandringham Dividend Income Trust and the entities it controlled during the period.

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

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
18 February 2013

Aurora Sandringham Dividend Income Trust
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2012

Consolidated Statement of Comprehensive Income

	Notes	31 December 2012 \$	31 December 2011 \$
Investment Income			
Interest income		156,967	272,319
Dividend and distribution income		641,074	897,328
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	5,575,175	(2,719,525)
Other investment income		6,564	-
Total net investment income/(loss)		<u>6,379,780</u>	<u>(1,549,878)</u>
Expenses			
Interest expense		-	136,458
Management and performance fees		121,494	132,584
Administration costs		-	13,178
Dividend expense short sold		4,189,302	-
Other operating expenses		99,204	35,052
Total operating expenses		<u>4,410,000</u>	<u>317,272</u>
Operating profit/(loss) for the half-year		<u>1,969,780</u>	<u>(1,867,150)</u>
Finance costs attributable to unitholders			
Distributions to unitholders of the parent entity	5	(602,585)	(688,972)
Distributions to non-controlling interests		(1,256)	-
(Increase)/decrease in net assets attributable to unitholders	4	(1,365,939)	2,556,122
Profit/(loss) for the half-year		<u>-</u>	<u>-</u>
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		<u>-</u>	<u>-</u>

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

Consolidated Balance Sheet

	Notes	31 December 2012 \$	30 June 2012 \$
Assets			
Cash and cash equivalents		9,409,964	16,972,287
Receivables		59,285	218,599
Due from brokers - receivable for securities sold		1,828,182	-
Financial assets held at fair value through profit or loss	6	<u>20,886,844</u>	<u>27,528,081</u>
Total assets		<u>32,184,275</u>	<u>44,718,967</u>
Liabilities			
Distributions payable to unitholders of the parent entity	5	299,403	310,221
Distributions payable to non-controlling interests		620	3,038
Due to brokers - payable for securities purchased		964,470	7,219,404
Financial liabilities held at fair value through profit or loss	7	10,500,354	12,764,102
Other liabilities		161,016	4,835,935
Net assets attributable to non-controlling interests		<u>43,418</u>	<u>31,978</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>11,969,281</u>	<u>25,164,678</u>
Net assets attributable to unitholders - liabilities	4	<u>20,214,994</u>	<u>19,554,289</u>

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

Consolidated Statement of Changes in Equity

	31 December 2012 \$	31 December 2011 \$
Total equity at the beginning of the financial half-year	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income for the half-year	-	-
Total comprehensive income	<u>-</u>	<u>-</u>
Transactions with equity holders in their capacity as equity holders	-	-
Total equity at the end of the financial half-year	<u>-</u>	<u>-</u>

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

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

Consolidated Statement of Cash Flows

	31 December 2012	31 December 2011
Notes	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	130,695,665	41,084,247
Purchase of financial instruments held at fair value through profit or loss	(128,736,248)	(36,096,505)
Dividend and distributions received/(paid)	(8,023,626)	1,184,937
Interest received	182,618	239,639
GST recovered/(paid)	(11,474)	3,148
Interest paid	-	(136,458)
Other income received	6,565	-
Management fees paid	(110,729)	(162,606)
Payment of other expenses	(252,203)	(112,366)
Net cash inflow/(outflow) from operating activities	<u>(6,249,432)</u>	<u>6,004,036</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	9,420	-
Payments for redemptions by unitholders	(50,806)	(36,570)
Units (purchased) and sold by the Fund	(736,748)	(609,979)
Distributions paid	(534,757)	(610,062)
Net cash inflow/(outflow) from financing activities	<u>(1,312,891)</u>	<u>(1,256,611)</u>
Net increase/(decrease) in cash and cash equivalents	(7,562,323)	4,747,425
Cash and cash equivalents at the beginning of the half-year	<u>16,972,287</u>	<u>6,217,842</u>
Cash and cash equivalents at the end of the half-year	<u>9,409,964</u>	<u>10,965,267</u>

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

Notes to the consolidated financial statements

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1 General information

These financial statements cover Aurora Sandringham Dividend Income Trust ("the Trust") and controlled entities. The Trust commenced operations on 14 November 2005 and was admitted to the Australian Securities Exchange "ASX" on 17 November 2005 and is domiciled in Australia.

This interim financial report is prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

It is recommended that this interim financial report be considered together with the current product disclosure document and in accordance with the provisions of the governing documents of the Trust, and any public announcements made by the Trust during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made in respect of the Trust during the half year period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Operation and principal activities

The principal activities of the Trust during the financial half-year were continuing its investment strategy in equities and derivative securities, in accordance with the provision of the Trust Constitution and the current Product Disclosure Statement.

Registered office

The registered office of the Trust is at:

Level 2
350 George Street
Sydney NSW 2000.

The financial statements were authorised for issue by the directors on 18 February 2013. The directors of the company have the power to amend and reissue the financial statements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial reporting period.

2 New accounting standards interpretations

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period. These are not expected to have any material impact on the Trust's financial report in subsequent periods.

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

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	31 December 2012 \$	31 December 2011 \$
Financial assets		
Net realised gains/(loss) on financial assets at fair value through profit or loss	4,926,790	(3,452,357)
Net unrealised gains/(loss) on financial assets held at fair value through profit or loss	<u>648,385</u>	<u>732,832</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>5,575,175</u>	<u>(2,719,525)</u>

4 Net assets attributable to unitholders

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

	31 December 2012 No.	31 December 2011 No.	31 December 2012 \$	31 December 2011 \$
Opening balance - including treasury units	25,606,798	28,107,891		
Treasury units	<u>(3,448,364)</u>	<u>(2,328,236)</u>		
Opening balance - excluding treasury units	22,158,434	25,779,655	19,554,289	24,485,267
Applications	-	-	-	-
Redemptions	(57,610)	(41,072)	(50,806)	(36,570)
Units issued upon reinvestment of distributions	91,978	107,943	82,320	101,224
Units (purchased) and sold by the fund	972,021	(1,829,176)	874,432	(609,979)
Cancellation of units	(1,800,000)	-	(1,611,180)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	<u>1,365,939</u>	<u>(2,556,122)</u>
Closing balance - excluding treasury units	21,364,823	24,017,350	20,214,994	21,383,820
Treasury units	<u>2,476,343</u>	<u>4,157,412</u>		
Closing balance - including treasury units	23,841,166	28,174,762		

As stipulated within the Trust's 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.

5 Distributions to unitholders

Timing of distributions

The distributions declared for the half-year were as follows:

	31 December 2012 \$	31 December 2012 CPU	31 December 2011 \$	31 December 2011 CPU
Distributions paid and payable				
September interim	303,182	1.40	351,662	1.40
December interim	<u>299,403</u>	<u>1.40</u>	<u>337,310</u>	<u>1.40</u>
	602,585	2.80	688,972	2.80

Distributions payable in the balance sheet include distributions payable from prior periods.

6 Financial assets held at fair value through profit or loss

	31 December 2012 Fair value \$	30 June 2012 Fair value \$
Designated at fair value through profit or loss		
Equity securities	<u>20,886,844</u>	<u>27,528,081</u>
Total designated at fair value through profit or loss	<u>20,886,844</u>	<u>27,528,081</u>
Total financial assets held at fair value through profit or loss	<u>20,886,844</u>	<u>27,528,081</u>
Equity securities		
Australian equity securities	<u>20,886,844</u>	<u>27,528,081</u>
Total equity securities	<u>20,886,844</u>	<u>27,528,081</u>
Total financial assets held at fair value through profit or loss	<u>20,886,844</u>	<u>27,528,081</u>

7 Financial liabilities held at fair value through profit or loss

	31 December 2012 Fair value \$	30 June 2012 Fair value \$
Held for trading		
Derivatives	-	2,677,350
Equity securities	<u>10,500,354</u>	<u>10,086,752</u>
Total financial liabilities held at fair value through profit or loss	<u>10,500,354</u>	<u>12,764,102</u>

8 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 from 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.

9 Contingent assets and liabilities and commitments

There are no contingent assets and liabilities or commitments as at 31 December 2012 (30 June 2012: Nil).

10 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the Balance Sheet as at 31 December 2012 or on the results and cash flows of the Trust for the half-year ended on that date.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 13 are in accordance with the, *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date,
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Stuart Roe
Director

Sydney
18 February 2013



Independent auditor's review report to the members of Aurora Sandringham Dividend Income Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aurora Sandringham Dividend Income Trust (the 'Trust'), which comprises the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises both Aurora Sandringham Dividend Income Trust (the 'Trust') and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Aurora Funds Management Limited, the responsible entity of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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 Aurora Sandringham Dividend Income Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aurora Sandringham Dividend Income Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'Joe Sheeran'.

Joe Sheeran
Partner

Sydney
18 February 2013