

Aurora Fortitude Absolute Return Fund

ARSN 145 894 800

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 Aurora Fortitude Absolute Return Fund ("the Fund"), present their report together with the financial statements of the Fund for the financial year ended 30 June 2016.

Principal activities

The Fund invests its funds in accordance with the provision of the Fund Constitution and the current Product Disclosure Statement. The Fund continued its investment objective to achieve a high rate of return, comprising both income and capital growth and to preserve the capital of the Fund. The Fund primarily invests in Australian listed equities and exchange traded derivatives.

The Fund did not have any employees during the year.

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

Directory

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

John 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)
James 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 Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund Constitution.

Financial results for the year

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

	2016 \$'000	2015 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	(4,606)	(1,183)
Distribution paid and payable	(2,909)	(6,010)
Distribution (cents per unit) 30 September	0.85	1.35
Distribution (cents per unit) 31 December	0.86	1.33
Distribution (cents per unit) 31 March	0.85	0.85
Distribution (cents per unit) 30 June	0.82	0.86

Units on issue

Units on issue in the Fund at the end of the year are set out below:

	2016 No. '000	2015 No. '000
Units on issue	81,180	103,694

Directors' report

Reconciliation of Net assets for Unit pricing and financial reporting purposes

The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	2016 \$'000	2015 \$'000
Net assets for unit pricing purposes	61,778	88,511
Difference between net market value for unit pricing and bid/ask held at fair value through profit or loss	(533)	(307)
Distribution payable	(669)	(888)
Franking credits included in unit pricing	(68)	(203)
Net assets under Australian Accounting Standards	60,508	87,113

Strategy and future outlook

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund Constitution. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations.

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 for Aurora Fortitude Absolute Return 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 Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

On 25 July 2016, the Responsible Entity announced a liquidity solution by notionally creating two pools, a General Pool holding the liquid investments, and a Note pool holding the AZZG Notes.

On 18 August 2016, the Responsible Entity issued a Notice of Meeting to be held on 26 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.

On 19 August 2016, the Responsible Entity made an ASX Announcement advising that it expected to recognize a non-cash impairment charge against the carrying value of the Antares Energy Limited Convertible Notes held by the Master Fund as at 30 June 2016.

On 31 August 2016, the Responsible Entity announced an update to the valuation of Antares Convertible Notes, the decision not to proceed with two investment pools in the Master Fund and the resumption of off-market redemptions.

Subsequent to year end, the Responsible Entity has processed redemption requests totalling 37.9 million, representing approximately 46.7% of the Fund.

Other than changes in investment strategy mentioned above, no matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

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

Directors' report

Indemnity and insurance of officers

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

Indemnity of auditors

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

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in the Statement of Profit or Loss and Other Comprehensive Income as "Management Fees", and disclosed in Note 14 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 14 to the financial statements.

Interests in the Fund

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

The values of the Fund's assets and liabilities are disclosed on the Statement of Financial Position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

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

Proceedings on behalf of the Fund

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

Auditor's independence declaration

A copy of the auditors' independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 6.

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



John Patton
Managing Director
25 September 2016

The Board of Directors
Keybridge Capital Limited
Level 4,
1 Alfred Street
Sydney NSW 2000

25 September 2016

Dear Sirs,

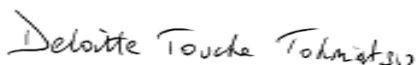
Aurora Fortitude Absolute Return Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Aurora Funds Management Limited, the Responsible Entity of Aurora Fortitude Absolute Return Fund.

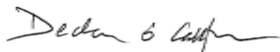
As lead audit partner for the audit of the financial statements of Aurora Fortitude Absolute Return Fund for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Income			
Interest income		1,177	902
Dividend and distribution income		5,569	11,476
Net losses on financial instruments held at fair value through profit or loss		(8,655)	(8,189)
Other operating income		83	109
Total net investment income		(1,826)	4,298
Expenses			
Management fees	14	1,110	2,074
Performance fees	14	165	-
Responsible Entity fees	14	169	-
Administration costs		105	171
Other operating expenses	6 & 14	381	466
Interest expenses		405	1,946
Dividend expenses		445	824
Total operating expenses		2,780	5,481
Operating profit/(loss) for the year		(4,606)	(1,183)
Finance costs attributable to unitholders			
Distributions to unitholders	9	(2,909)	(6,010)
Increase in net assets attributable to unitholders	8	7,515	7,193
Profit/(loss) for the year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

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

Financial Statements

Statement of Financial Position

As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Cash and cash equivalents	10	39,327	2,552
Receivables		264	1,299
Due from brokers - receipts for securities sold		4,048	13,331
Financial assets held at fair value through profit or loss	11	30,605	165,119
Total assets		74,244	182,301
Liabilities			
Futures margin account	10	1,736	50,944
Distributions payable	9	669	888
Due to brokers - payments for securities purchased		1,593	31,674
Financial liabilities held at fair value through profit or loss	12	8,991	10,860
Other payables		747	822
Total liabilities (excluding net assets attributable to unitholders)		13,736	95,188
Net assets attributable to unitholders	8	60,508	87,113
Liability attributable to unitholders		(60,508)	(87,113)
Net assets		-	-

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

Financial Statements

Statement of Changes in Equity

For the year ended 30 June 2016

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

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

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

Financial Statements

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 or loss		1,394,684	2,521,456
Purchase of financial instruments held at fair value through profit or loss		(1,291,492)	(2,410,591)
Dividends and distributions received		6,649	11,572
Interest received		1,138	908
Other income		80	108
Interest paid		(554)	(1,915)
Investment management fee paid		(1,132)	(2,211)
Dividend expenses		(352)	(904)
Payment of other expenses		(348)	(606)
Net cash inflows/(outflows) from operating activities	15 (a)	108,673	117,817
Cash flows from financing activities			
Proceeds from applications by unitholders		8,953	37,833
Payments for redemptions by unit holders		(29,410)	(142,524)
Distributions paid		(2,233)	(5,481)
Net cash (outflows)/inflows from financing activities		(22,690)	(110,172)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		(48,392)	(56,037)
Cash and cash equivalents at the end of the year	10	37,591	(48,392)
Non-cash financing activities	15 (b)	895	2,681

The above 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 financial statements cover Aurora Fortitude Absolute Return Fund ("the Fund") as an individual entity. The Fund commenced operations on 30 April 2006 and is domiciled in Australia.

The Responsible Entity of the Fund is Aurora Funds Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 4, 1 Alfred Street, Sydney, NSW 2000. The financial statements are presented in Australian currency.

It is recommended that these financial statements are considered together with the current product disclosure document and in accordance with the provisions of the governing documents of the Fund, and any public announcements made by the Fund 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 Fund during the financial year was managing its investment strategy in accordance with the provision of the Fund's Constitution and the Product Disclosure Statement.

The 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 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 Accounting Standards Board and the *Corporations Act 2001* in Australia. Aurora Fortitude Absolute Return Fund is a for-profit unit fund for the purpose of preparing the financial statements.

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

The 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. All amounts are presented in Australian dollars, unless otherwise noted.

Compliance with International Financial Reporting Standards

The financial statements of the Fund 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)

(a) Basis of preparation (continued)

New and amended standards adopted by the Fund

The Fund has adopted all the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to the operations and effective for the financial year:

AASB 2015-3 ‘Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality’

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Trust’s financial statements.

(b) 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 Fund 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

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

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(c) Financial instruments

(i) Classification

The Fund's investments are classified at fair value through profit or loss.

A financial asset or liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or liability other than a financial asset or liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset or liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented investment strategy; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

The Fund may sell securities short in anticipation of a decline in fair value of that security. When the Fund 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 Fund pays a security borrowing fee for short sales which are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

The Fund's Constitution requires the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date that 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 Fund 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 Fund 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Measurement (continued)

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of 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.

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 Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

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

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

(iv) Offsetting financial instruments

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

(d) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

(e) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within futures margin account in the 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 Fund's main income generating activity.

(f) Margin accounts

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(g) 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 Fund 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 Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross 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. Fund distributions are recognised on an entitlements basis.

(h) Expenses

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

(i) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

The benefit of imputation credits and foreign tax paid is passed on to unitholders.

(j) Distributions

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

(k) Increase/decrease in net asset attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs.

(l) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(l) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of 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.

(m) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(n) Receivables

Receivables may include amounts for dividends, interest, fund distributions and securities sold where settlement has not yet occurred. Dividends and Fund 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(g) above. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the Statement of 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 Statement of Profit or Loss and Other Comprehensive Income.

(o) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(p) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed. Unit redemption prices are determined by reference to the net assets for of the Fund, divided by the number of units on issue.

(q) Goods and Services Tax ("GST")

The GST incurred on the costs of various services provided to the Fund by third parties, has been passed onto the Fund. The Fund 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 Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

(r) Use of estimates

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

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

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.

3. Financial risk management

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

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the investment management department of the responsible entity under policies approved by the Board of Directors of the Responsible Entity (the "Board").

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of price risks and ratings analysis for credit risk.

Notes to the Financial Statements

3. Financial risk management (continued)

(a) Market risk

(i) Price risk

Price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by the Responsible Entity through ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly by the Responsible Entity on a total portfolio basis, which includes the effect of derivatives.

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Investments are classified in the 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.

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

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 Fund has minimal financial assets and liabilities denominated in other currencies and held nearly all its financial instruments in Australian dollars. Exposure to foreign exchange risk is considered to be immaterial and no sensitivity analysis was performed.

(iii) Interest rate risk

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

The Fund'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 Statement of Financial Position and cash flows. The risk is measured using sensitivity analysis. The only financial asset held by the Fund subject to interest rate risk is cash and cash equivalents.

The Fund 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 Fund 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 Fund'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 Fund as the Fund does not hold interest rate sensitive financial instruments. The interest rates on deposits at bank and on bank overdrafts are both rates referenced to RBA cash rate.

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 operating profit/net assets attributable to unitholders as at 30 June 2016. The results of this analysis are disclosed in Note 3(b).

Notes to the Financial Statements

3. Financial risk management (continued)

(a) Market risk (continued)

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

2016	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	39,327	-	-	39,327
Receivables	-	-	264	264
Due from brokers - receipts for securities sold	-	-	4,048	4,048
Financial assets held at fair value through profit or loss	-	-	30,605	30,605
Financial Liabilities				
Futures margin account	(1,736)	-	-	(1,736)
Distributions payable	-	-	(669)	(669)
Due to brokers - payments for securities purchased	-	-	(1,593)	(1,593)
Financial liabilities held at fair value through profit or loss	-	-	(8,991)	(8,991)
Other liabilities	-	-	(747)	(747)
Net exposure	37,591	-	22,917	60,508

2015	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	2,552	-	-	2,552
Receivables	-	-	1,299	1,299
Due from brokers - receipts for securities sold	-	-	13,331	13,331
Financial assets held at fair value through profit or loss	-	-	165,119	165,119
Financial Liabilities				
Futures margin account	(50,944)	-	-	(50,944)
Distributions payable	-	-	(888)	(888)
Due to brokers - payments for securities purchased	-	-	(31,674)	(31,674)
Financial liabilities held at fair value through profit or loss	-	-	(10,860)	(10,860)
Other liabilities	-	-	(822)	(822)
Net exposure	(48,392)	-	135,505	87,113

(b) Summarised sensitivity analysis

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 Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

Notes to the Financial Statements

3. Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk and interest rate risk:

	Price risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders			
	-10%	+10%	-100 bps	+100 bps
	\$'000	\$'000	\$'000	\$'000
2016	(2,161)	2,161	376	(376)
2015	(15,426)	15,426	(484)	484

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

The main concentration of credit risk to which the Fund is exposed arises from cash and cash equivalents and amounts due from other receivables.

Concentrations of credit risk are minimised primarily by:

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

The Fund has a prime brokerage agreement with UBS, the Fund's prime broker, and some of the Fund's assets will be pledged as collateral for amounts drawn under the overdraft facility. At balance sheet date, \$7,964,736 (2015; \$142,062,373) of assets is pledged as collateral.

Certain assets of the Fund will be held by the Custodian in segregated accounts together with assets deposited by it on behalf of other customers of the Custodian or Prime Broker. Such assets will not be mixed with the property of the Custodian or the Prime Broker and should not be available to third party creditors of the Custodian or Prime Broker in the event of insolvency of the Custodian or Prime Broker (as the case may be). However, the assets of the Fund held by a Custodian will be subject to a charge to secure the Fund's obligations to the Prime Broker.

The Fund has a material credit risk exposure to the banks (Westpac and UBS) that hold the Fund's cash assets at 30 June 2016.

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

	2016	2015
	\$'000	\$'000
AA-	39	744
A	39,288	1,808
Total	39,327	2,552

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 orders 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 Fund's Constitution, the Responsible Entity monitors the Fund's credit position on a daily basis, and the Board reviews it on a quarterly basis.

(iii) Other

The Fund is not materially exposed to credit risk on other financial assets, including receivables.

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 Fund 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 Fund was exposed to daily cash redemptions up until February 2016. Daily cash redemptions and applications were suspended between February 2016 and August 2016. The Fund was also exposed to 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 following table analyses the Fund's net settled derivative financial instruments for which the contractual maturities are considered important to understanding of the timing of cash flows based on the Fund's investment strategy.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
As at 30 June 2016					
Futures margin account	1,736	-	-	-	1,736
Distributions payable	669	-	-	-	669
Due to brokers - payments for securities purchased	1,593	-	-	-	1,593
Financial liabilities held at fair value through profit or loss	8,991	-	-	-	8,991
Other liabilities	747	-	-	-	747
Net assets attributable to unitholders		60,508	-	-	60,508
Contractual cashflows (excluding gross settled derivatives)	13,736	60,508	-	-	74,244

Notes to the Financial Statements

3. Financial risk management (continued)

(d) Liquidity risk (continued)

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
As at 30 June 2015					
Futures margin account	50,944	-	-	-	50,944
Distributions payable	888	-	-	-	888
Due to brokers - payments for securities purchased	31,674	-	-	-	31,674
Financial liabilities held at fair value through profit or loss	10,860	-	-	-	10,860
Other liabilities	822	-	-	-	822
Net assets attributable to unitholders	87,113	-	-	-	87,113
Contractual cashflows (excluding gross settled derivatives)	182,301	-	-	-	182,301

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
As at 30 June 2016					
Net settled derivatives					
Australian traded options	-	593	-	-	593
Australian share price index futures	-	(15)	-	-	(15)
Australian traded warrants	-	2	-	-	2
Australian traded futures	-	(1)	-	-	(1)
Total net settled derivatives	-	579	-	-	579

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
As at 30 June 2015					
Net settled derivatives					
Australian traded options	-	11,662	-	-	11,662
Australian share price index futures	-	(36)	-	-	(36)
Australian warrants	-	3	-	-	3
Total net settled derivatives	-	11,629	-	-	11,629

4. Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities at fair value through profit or loss (FVTPL);
- Financial assets/liabilities held for trading; and
- Derivative financial instruments

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period. AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

Notes to the Financial Statements

4. Fair value measurement (continued)

(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 Fund values its investments in accordance with the accounting policies set out in Note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. When the Fund holds derivatives with offsetting market risks, it uses midmarket 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.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a futures contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

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

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

Notes to the Financial Statements

4. Fair value measurement (continued)

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value for the year ended 30 June 2016 and 30 June 2015:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2016				
Financial assets				
Financial assets held for trading:				
Derivatives (Note 13)	654	-	-	654
Financial assets designated at fair value through profit or loss:				
Equity securities	29,951	-	-	29,951
Total financial assets	30,605	-	-	30,605
Financial liabilities				
Financial liabilities held for trading:				
Equity securities sold short	8,916	-	-	8,916
Derivatives (Note 13)	75	-	-	75
Total financial liabilities	8,991	-	-	8,991
As at 30 June 2015				
Financial assets				
Financial assets held for trading:				
Derivatives (Note 13)	13,055	-	-	13,055
Spot foreign exchange receivable	1,602	-	-	1,602
Financial assets designated at fair value through profit or loss:				
Equity securities	150,462	-	-	150,462
Total financial assets	165,119	-	-	165,119
Financial liabilities				
Financial liabilities held for trading:				
Equity securities sold short	7,824	-	-	7,824
Derivatives (Note 13)	1,426	-	-	1,426
Spot foreign exchange payable	1,610	-	-	1,610
Total financial liabilities	10,860	-	-	10,860

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 Funds.

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

Notes to the Financial Statements

4. Fair value measurement (continued)

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As at 30 June 2016, \$nil (2015: \$ nil) of financial instruments were classified as Level 3.

Transfers between levels

The Fund's accounting policy for determining timing of transfers between levels is to recognise all transfers in/out at the end of each reporting period.

There has been one transfer between levels for the year ended 30 June 2016 (30 June 2015: no transfers), however the value of this investment is \$nil.

For the level 3 investment, Antares Energy Limited Convertible Notes, please refer to Note 5 Key sources of estimation uncertainty for any relevant information.

Reconciliation level 3 fair values

Financial assets measured using significant unobservable inputs (Level 3) are shown below:

	2016 \$'000	2015 \$'000
Opening balance	-	-
Transfers in/(out) of level 3	5,573	-
Change in value of financial assets held at fair value through profit or loss	(5,573)	-
Closing balance	-	-

5. Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

As at 30 June 2016, the Fund held investments in Antares Energy Limited Convertible Notes (ASX: AZZG), which had been suspended from trading on the Australian Stock Exchange on 15 September 2015 and remain suspended as at the date of this report.

In February 2016, Aurora made the decision to freeze applications and redemptions in the Master Fund, on the basis that it could not accurately determine a value for the AZZG Notes.

For the purposes of the June 2016 year-end financial statements, and after careful consideration of all of the available information, Aurora has formed the view that the AZZG Notes should be recognised at a nil value. In forming this view, Aurora has relied on the following information:

- On 8 April 2016, Antares Energy Limited ("Antares") issued a notice of resumed meeting of noteholders (to be held on 29 April 2016) to, amongst other things, extend the reset date of the AZZG Notes to 31 March 2017 and amend the next interest payment date to 30 April 2017. This meeting did not proceed.
- On 29 April 2016, Antares appointed Bryan Kevin Hughes and Daniel Johannes Bredenkamp of Pitcher Partners as Joint and Several Administrators.

Notes to the Financial Statements

5. Use of estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

- On 10 May 2016, following a resolution passed at the first meeting of creditors, Quentin James Olde and Michael Joseph Ryan of FTI Consulting replaced Bryan Kevin Hughes and Daniel Johannes Bredenkamp of Pitcher Partners as Joint and Several Administrators of Antares.
- As part of the 30 June 2016 year end procedures, Aurora engaged an external independent valuer in the US, South Texas Reservoir Alliance LLC (STXRA), to perform an independent valuation of the underlying assets of Antares, being Northern Star and Big Star (STXRA conducted a similar valuation for the purposes of Aurora's 31 December 2015 financial statements). In summarising the STXRA valuation, the following observations are relevant:
 - STXRA reviewed, in the course of its analysis, both recent market transactions and public land records to provide both a liquidation and transactional evaluation of the assets;
 - The Administrator of Antares, FTI Consulting, made an ASX Announcement on 30 August 2016 calling for Expressions of Interest. In that Announcement, the Administrator advised that circa 5,000 acres of leased land had expired, leaving circa 15,900 acres;
 - STXRA indicated that "there is a trend in the E&P industry right now to only focus on core acreage and this leasehold is not considered core in the Midland basin so the number of potential purchasers for this asset are pretty limited";
 - STXRA provided a valuation range of between USD\$985,000 (representing 2X the lower end of the Liquidation value) to USD\$12,312,500 (representing 5X the upper end of the Liquidation value) (being AUD\$1,279,055 to AUD\$15,988,183). The face value of the AZZG Notes is AUD\$47.5 million;
 - STXRA concluded that Antares, given its financial situation and inaction on its leases, would probably tend more towards lower end of liquidation pricing;
 - STXRA also noted that "due to Antares lease position falling apart and the recent lower price per acre metrics, it appears that this asset will tend to the lower values";
 - The STXRA valuation range excludes any other liabilities and costs that need to be satisfied by the Administrator;
 - The Fund holds circa 11.0% of the AZZG Notes;
 - Antares has been trying to sell the asset for a number of years, with no sale forthcoming; and
 - The external valuation is based on the value of the acreage, so any costs of administration would need to be paid first.

In addition to the STXRA valuation, Aurora management had regard to confidential information and reports provided by the Administrators.

The fair value of the AZZG Notes is based on significant estimates and judgements adopted by management of Aurora based on the prevailing market conditions and all available information about Antares as at the date of this report.

Aurora management considered the range of possible values and determined that the fair value of the AZZG Notes held by the Trust should be \$nil as at 30 June 2016.

Notes to the Financial Statements

6. Other operating expenses

	2016 \$'000	2015 \$'000
Bank, prime broker and brokerage fees	216	178
Trade commissions	9	272
Professional fee expenses	119	-
General fund expenses	37	16
Total other operating expenses	381	466

7. Auditors remuneration

During the year the following fees were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor for the Fund. The auditor of the Fund is Deloitte Touche Tohmatsu.

	2016 \$	2015 \$
Audit and other assurance services		
Audit and review of financial statements	33	8
Audit of the compliance plan	2	4
Total remuneration for audit and other assurance services	35	12
Taxation services (non-audit)		
Tax compliance services	7	4
Total remuneration for tax services	7	4
Total remuneration of Deloitte Touche Tohmatsu	42	16

8. Net assets attributable to unitholders

Movements in 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	103,694	218,593	87,113	196,274
Applications	10,505	42,334	8,953	37,842
Redemptions	(34,077)	(160,291)	(28,938)	(142,490)
Units issued upon reinvestment of distributions	1,058	3,058	895	2,680
Decrease in net assets attributable to unitholders	-	-	(7,515)	(7,193)
Closing balance	81,180	103,694	60,508	87,113

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Notes to the Financial Statements

8. Net assets attributable to unitholders (continued)

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders. The Fund was exposed to daily cash applications and redemptions up until February 2016. Daily cash redemptions and applications were suspended between February 2016 and August 2016.

Daily applications and redemptions were reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

9. Distribution to unitholders

The distributions for the year were as follows:

	2016		2015	
	\$'000	CPU	\$'000	CPU
Distributions paid	2,240	2.56	5,122	3.53
Distributions payable	669	0.82	888	0.86
Total distributions	2,909	3.38	6,010	4.39

10. Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Cash at bank	39,327	2,552
Futures margin account	(1,736)	(50,944)
Total	37,591	(48,392)

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

	2016	2015
	\$'000	\$'000
Held for trading		
Derivatives (Note 13)	654	13,055
Spot foreign exchange receivable	-	1,602
Total held for trading	654	14,657
Designated at fair value through profit or loss		
Equity securities	29,951	150,462
Total designated at fair value through profit or loss	29,951	150,462
Total financial assets held at fair value through profit or loss	30,605	165,119
Comprising:		
Derivatives		
Exchange traded options	593	13,052
Exchange traded futures	59	-
Exchange traded warrants	2	3
Total derivatives	654	13,055

Notes to the Financial Statements

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

	2016 \$'000	2015 \$'000
Held for trading		
Derivatives (Note 13)	75	1,426
Spot foreign exchange payable	-	1,610
Total held for trading	75	3,036
Designated at fair value through profit or loss		
Equity securities	8,916	7,824
Total designated at fair value through profit or loss	8,916	7,824
Total financial liabilities held at fair value through profit or loss	8,991	10,860
Comprising:		
Derivatives		
Australian exchange traded options	-	1,390
Exchange traded futures	60	-
Australian share price index futures	15	36
Total derivatives	75	1,426

13. Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivative instruments:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are organised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

Notes to the Financial Statements

13. Derivative financial instruments (continued)

(b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange-traded. The Fund may be exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

(c) Warrants

A warrant is a contractual arrangement under which the issuer grants the holder the right to purchase securities (usually equity) from the issuer at a specific price within a certain time frame. Warrants held by the Fund are exchange traded.

The Fund's derivative financial instruments at year-end are detailed below:

	Contractual/notional \$'000	Fair value	
		Assets \$'000	Liabilities \$'000
2016			
<i>Australian exchange traded derivatives</i>			
Australian share price index futures	1,294	-	15
Exchange traded options	25,398	593	-
Exchange traded futures	-	59	60
Exchange traded warrants	240	2	-
Total Australian exchange traded derivatives	26,932	654	75

	Contractual/notional	Fair Values	
		Assets \$'000	Liabilities \$'000
2015			
<i>Australian exchange traded derivatives</i>			
Australian share price index futures	4,048	-	36
Exchange traded options	215,039	13,052	1,390
Exchange traded warrants	-	3	-
Total Australian exchange traded derivatives	219,087	13,055	1,426

Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in Notes 3 and 4 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

Notes to the Financial Statements

14. Related party transactions

Responsible Entity

The Responsible Entity of Aurora Fortitude Absolute Return Fund is Aurora Funds Management Limited.

Key management personnel unitholdings

The key management personnel of Aurora Fortitude Absolute Return Fund held units in the Fund as follows:

2016

Unitholder	Number of Units held opening	Number of Units held closing	Fair value of investment	% Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
John Corr	283,867	292,584	283,867	360.413	8,716	-	9,830
Simon Lindsay	105,214	108,444	105,214	133.585	3,231	-	3,643
Total	389,081	401,028	389,081	493.999	11,947	-	13,473

2015

Unitholder	Number of Units held opening	Number of Units held closing	Fair value of investment	% Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
John Corr	268,463	283,867	283,867	0.274	15,404	-	12,199
Simon Lindsay	140,097	105,214	105,214	0.101	86,786	(121,669)	3,320
Total	408,560	389,081	389,081	0.375	102,190	(121,669)	15,519

Key management personnel compensation

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

Related party unitholdings

There was no interest in the Fund held by other management investment schemes also managed by the Responsible Entity.

Other transactions within the Fund

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

Responsible Entity's/Manager's fees and other transactions

Under the terms of the Fund 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 Fund as follows:

- management fee payable to the Responsible Entity is 1.4865% (GST inclusive, net of RITC) per annum.
- performance fee of 20.5% (GST inclusive, net of RITC) per annum is applied to the total excess between the Total Unit Holder Return (TUR) and the S&P ASX 200 Accumulation Index.
- normal operating expenses.

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

Notes to the Financial Statements

14. Related party transactions (continued)

Responsible Entity's/Manager's fees and other transactions (continued)

The transactions during the year between the Fund and the Responsible Entity were as follows:

	2016 \$'000	2015 \$'000
Management fees for the year paid by the Fund to the Responsible Entity	1,110	2,074
Performance fees for the year paid by the Fund to the Responsible Entity	165	-
Other fees for the year paid by the Fund to the Responsible Entity	169	-
Professional fee expenses	119	-
Aggregate amounts payable to the Responsible Entity for management fees and performance fees at the end of the reporting period	1,563	2,074

Performance fees are calculated on the net asset value for unit pricing purposes which includes franking credits.

Related party unitholdings

Aurora Absolute Return Fund, an investment scheme managed by the Responsible Entity, held 19,030,897 units in the Fund (2015: 23,935,583 units), which is equivalent to 23.443% (2015: 23.083%) of Fund.

There was no interest in the Fund held by other managed investment schemes also managed by the Responsible Entity.

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 Aurora Property Buy-Write Income Trust.

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.

15. Reconciliation of profit/(loss) to net cash outflow from operating activities

	2016 \$'000	2015 \$'000
(a) Reconciliation of profit to net cash outflows from operating activities		
Profit/(loss) for the year	-	-
Decrease in net assets attributable to unitholders	(7,515)	(7,193)
Distributions to unitholders	2,909	6,010
Proceeds from sale of financial instruments held at fair value through profit or loss	1,394,684	2,521,456
Purchase of financial instruments held at fair value through profit or loss	(1,291,492)	(2,410,591)
Net gains on financial instruments held at fair value through profit or loss	8,655	8,189
Net change in receivables	1,035	145
Net change in payables	397	(199)
Net cash inflows/(outflows) from operating activities	108,673	117,817
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	895	2,681

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

Notes to the Financial Statements

16. Events occurring after reporting period

On 25 July 2016, the Responsible Entity announced a liquidity solution by notionally creating two pools, a General Pool holding the liquid investments, and a Note pool holding the AZZG Notes.

On 18 August 2016, the Responsible Entity issued a Notice of Meeting to be held on 26 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.

On 19 August 2016, the Responsible Entity made an ASX Announcement advising that it expected to recognize a non-cash impairment charge against the carrying value of the Antares Energy Limited Convertible Notes held by the Master Fund as at 30 June 2016.

On 31 August 2016, the Responsible Entity announced an update to the valuation of Antares Convertible Notes, the decision not to proceed with two investment pools in the Master Fund and the resumption of off-market redemptions.

Subsequent to year end, the Responsible Entity has processed redemption requests totalling 37.9 million, representing approximately 46.7% of the Fund.

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

Directors' declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as noted in note 2 (a) to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards an giving a true and fair view of the financial position and performance of the scheme; and
- (d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Responsible Entity, Aurora Funds Management Limited



John Patton
Managing Director
25 September 2016

Independent Auditor's Report to the Unitholders of Aurora Fortitude Absolute Return Fund

We have audited the accompanying financial report of Aurora Fortitude Absolute Return Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund as set out on pages 7 to 35.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, Aurora Funds Management Limited, 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors of the Responsible Entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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.

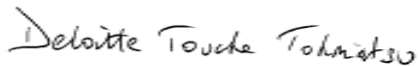
Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

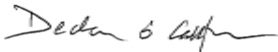
Opinion

In our opinion:

- (a) the financial report of Aurora Fortitude Absolute Return Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants

Sydney, 25 September 2016