

HHY Fund

ARSN 112 579 129

Interim financial Report For the half-year ended 31 December 2016

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Directors' Report

The Directors of Aurora Funds Management Limited (ABN 69 092 626 885), the "Responsible Entity" of HHY Fund ("the Trust"), present their interim report together with the condensed consolidated financial statements of HHY Fund, consisting of the Trust and the entities it controlled at the end of, or during the half-year ended 31 December 2016, and the auditor's report thereon.

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

Principal activities

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

On 30 June 2016, Keybridge Capital Limited was appointed as Investment Manager of the Trust.

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

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

There were no significant changes in the nature of the Trust's activities during the half-year, other than the off-market Takeover Announcement made by Aurora Global Income Trust (of which Aurora is the Responsible Entity) on 29 September 2016. Refer to Significant changes in state of affairs on pages 3 and 4 for more detail.

Directors

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

Jim Hallam
John Patton
Betty Poon

Units on Issue

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

	31 December 2016 '000	30 June 2016 '000
Units on issue	88,790	95,408

Review and results of operations

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

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

The operating loss after income tax and before finance costs attributable to unitholders for the half year ended 31 December 2016 was \$264,000 (2015: profit \$608,000).

Financial position

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

	31 December 2016 \$	30 June 2016 \$
At reporting period	0.123	0.129
High during period	0.128	0.129
Low during period	0.121	0.109

Directors' Report (continued)

Financial results for the half-year

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

	Half-year ended	
	31 December 2016 \$'000	31 December 2015 \$'000
Operating (losses)/profit before finance costs attributable to unitholders	(264)	608
Distributions paid and payable	-	-

Information on underlying performance

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

Strategy and future outlook

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

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

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

Significant changes in state of affairs

Takeover Bid

On 29 September 2016, the Aurora Global Income Trust (of which Aurora is the Responsible Entity) announced an off-market script takeover bid for the HHY Fund. The cost associated with this takeover was \$110k which was paid from the Trust.

On 19 January 2017, Aurora Global Income Trust extended the offer period from 30 January 2017 to 27 February 2017. On 20 February 2017, Aurora Global Income Trust further extended the offer period from 27 February 2017 to 31 March 2017, so HHY Fund unitholders have until 31 March 2017, unless the offer is further extended, to accept or decline this offer.

HHY unitholders who accept this offer will receive units in the Aurora Global Income Trust (AIB) in exchange for their HHY units, such that the net asset value (NAV) of the HHY units equates to the NAV of the AIB units.

On 18 November 2016, a Bidders Statement was lodged with ASIC. The Bidders Statement was dispatched to unitholders on 28 November 2016. On 13 December 2016, the Target Statement was dispatched to unitholders.

On 19 January 2017, a First Supplementary Bidders Statement was lodged with ASIC. The First Supplementary Bidders Statement was dispatched to unitholders on 23 January 2017.

Directors' Report (continued)

Significant changes in state of affairs (continued)

General Meeting of Unitholders

On 9 August 2016, the Responsible Entity received a request, on behalf of entities managed by Wilson Asset Management (International) Pty Limited (and its related entities), to call and arrange an extraordinary general meeting of unitholders to consider the removal of Aurora as responsible entity of the Fund and, if that occurs, the appointment of another responsible entity.

On 29 September 2016, a General Meeting of HHY Fund Unitholders was held. The Chairman noted that the Aurora Global Income Trust (of which Aurora is the Responsible Entity) announced an off-market script takeover bid for the HHY Fund. As a result, the Chairman determined that it was appropriate to adjourn the meeting to enable information in relation to the takeover bid to be provided to the unitholders.

On 11 November 2016, the Responsible Entity received notice of a general meeting to be held on 6 December 2016, convened under section 252D(1) of the Corporations Act 2001 by Wilson Asset Management (International) Limited.

The cost associated with these general meetings were \$22k which was paid from the Trust.

The general meeting was convened to consider resolutions to replace the responsible entity with Record Funds Management Limited.

On 9 December 2016, the Responsible Entity announced the results of the general meeting of unitholders. As the resolutions were not carried, Aurora continues to act as the Responsible Entity.

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

Matters subsequent to the end of the half-year

As at the date of signing this interim financial report, 7.29% of HHY Fund unitholders have accepted the takeover's offer. At this stage, there is no intention to wind up the HHY Fund.

Other than the changes already mentioned, no matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

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

Indemnity and insurance of Aurora Funds Management Limited

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

Indemnity of auditors

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

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

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

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

Directors' Report (continued)

Interests in the Trust

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

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

Environmental regulation

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

Proceedings on behalf of the Trust

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

Rounding of amounts to the nearest thousand dollars

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the director's report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

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

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



John Patton
Managing Director
28 February 2017



Auditor's Independence Declaration

As lead auditor for the review of HHY Fund (the "Trust") for the half-year ended 31 December 2016, 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 the Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Elizabeth O'Brien'.

Elizabeth O'Brien
Partner
PricewaterhouseCoopers

Melbourne
28 February 2017

Financial Statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2016

	Notes	Consolidated Half-year ended	
		31 December 2016 \$'000	31 December 2015 \$'000
Investment income			
Interest income		70	80
Dividends and distribution income		112	211
Other income		-	20
Net (losses)/gains on financial instruments held at fair value through profit or loss	13	(26)	573
Total net investment income		156	884
Management fees	9	42	33
Audit and tax fees		54	-
Transaction costs		2	8
Other operating expenses	9,10	190	235
Unitholders meeting costs	11	22	-
Takeover costs	12	110	-
Total operating expenses		420	276
Operating (loss)/profit		(264)	608
Finance costs attributable to unitholder			
Decrease/(increase) in net assets attributable to unitholders	5	264	(608)
Profit/ (loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

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

Financial Statements

Condensed Consolidated Statement of Financial Position

as at 31 December 2016

		Consolidated As at	
	Notes	31 December 2016 \$'000	30 June 2016 \$'000
Assets			
Cash and cash equivalents	6	2,746	2,503
Dividends Receivables		12	17
Receivables		517	477
Financial assets held at fair value through profit or loss	7	8,230	9,822
Total assets		11,505	12,819
Liabilities			
Due to brokers – payable for securities purchased		71	39
Financial liabilities held at fair value through profit or loss	8	275	556
Other payables		11	11
Total liabilities (excluding net assets attributable to unitholders)		357	606
Net assets attributable to unitholders		11,148	12,213
Liabilities attributable to unitholders		(11,148)	(12,213)
Net assets		-	-

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

Financial Statements

Condensed Consolidated Statement of Changes in Equity for the half-year ended 31 December 2016

	Consolidated Half-year ended	
	31 December 2016	31 December 2015
Notes	\$'000	\$'000
Balance at the beginning of the period		
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with unitholders in their capacity as unitholders	-	-
Total equity at the end of the period	-	-

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

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

Financial Statements

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2016

	Notes	Consolidated Half-year ended	
		31 December 2016 \$'000	31 December 2015 \$'000
Cash flows from operating activities			
Net proceeds/(payments) for purchase and sale of financial instruments held at fair value through profit or loss		1,317	(8,007)
Transaction costs on sale and purchase of financial instruments at fair value through profit or loss		(2)	(8)
Dividends and distributions received		117	2
Other income received		-	20
Interest received		61	79
GST recovered		9	(39)
Management fees paid		(42)	(33)
Other operating expenses paid		(416)	(354)
Net cash inflow/(outflow) from operating activities		1,044	(8,340)
Cash flows from financing activities			
Payments for share buy-backs	5	(801)	(560)
Net cash outflow from financing activities		(801)	(560)
Net increase/(decrease) in cash and cash equivalents		243	(8,900)
Cash and cash equivalents at the beginning of the period		2,503	11,611
Cash and cash equivalents at the end of the period	6	2,746	2,711

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

Notes to the Financial Statements

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Notes to the Financial Statements

1. General information

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

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

The Investment Manager of the Trust is Keybridge Capital Limited.

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

It is recommended that these condensed interim financial statements are considered together with current ASX announcements and in accordance with the provisions of the governing documents of the Trust, and any public announcements made by the Trust during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

2. Summary of significant accounting policies

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

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

(a) New and amended standards

There are no standards, interpretations or amendment to existing standards that are effective for the first time for the half-year beginning 1 July 2016 that have a material impact to the Trust.

(b) Basis of preparation

The accounting policies applied by the Trust in this condensed interim financial report are the same as those applied by the Trust in its Financial Report as at, and for, the year ended 30 June 2016.

Statement of compliance

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

The interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the annual financial report as at, and for, the year ended 30 June 2016.

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

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

(c) Basis of consolidation

The condensed consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Trust as at 31 December 2016 and the results of all subsidiaries for the half-year then ended. The Trust and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

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

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

(d) Parent entity financial information

The financial information for the Trust, as disclosed in Note 14, has been prepared on the same basis as the consolidated financial statements.

3. Use of estimates and judgements

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

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2016.

Key source of estimation uncertainty

As at 31 December 2016, the Trust holds investments in Antares Energy Limited Convertible Notes (ASX: AZZG), which was suspended from trading on the Australian Stock Exchange on 15 September 2015 and remains suspended as at the date of signing this interim financial report.

For the purposes of the December 2016 half-year financial statements, and after careful consideration of all of the available information, Aurora has formed the view that the AZZG Notes should continue to be recognised at nil value.

4. Fair value measurement

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

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

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

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

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

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

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

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

Notes to the Financial Statements

4. Fair value measurement (continued)

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

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

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

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

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

Recognised fair value measurements

The following table presents the Trust's assets and liabilities measured and recognised as at the half-year ended 31 December 2016 and the year ended 30 June 2016.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2016				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	7,660	-	-	7,660
Unlisted convertible securities	-	570	-	570
Total financial assets	7,660	570	-	8,230
Financial liabilities				
Financial liabilities held for trading:				
Listed equity securities	275	-	-	275
Total financial liabilities	275	-	-	275

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

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

Transfers between levels

There have been no transfers between levels for the half-year ended 31 December 2016 and the year ended 30 June 2016.

Notes to the Financial Statements

5. Net assets attributable to unitholders

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

	31 December 2016 No.'000	30 June 2016 No.'000	31 December 2016 \$'000	30 June 2016 \$'000
Opening balance	95,408	103,070	12,213	11,320
Buybacks	(6,618)	(7,662)	(794)	(764)
Buybacks unsettled			(7)	(11)
Increase/(decrease) in net assets attributable to unitholders			(264)	1,668
Closing balance	88,790	95,408	11,148	12,213

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

6. Cash and cash equivalents

	31 December 2016 \$'000	As at 30 June 2016 \$'000
Cash at bank	2,746	2,503
Total cash and cash equivalents	2,746	2,503

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

	31 December 2016 \$'000	As at 30 June 2016 \$'000
Financial assets held at fair value through profit or loss		
Equity securities		
Australian listed equity securities	6,927	9,219
International equity securities	733	462
Unlisted convertible notes	570	141
Total financial assets	8,230	9,822

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

	31 December 2016 \$'000	As at 30 June 2016 \$'000
Financial liabilities held at fair value through profit or loss		
Equity securities		
Australian listed equity securities	275	556
Total financial liabilities	275	556

Notes to the Financial Statements

9. Related party transactions

Responsible Entity

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

Key management personnel unitholdings

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

Key management personnel compensation

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

Related party unitholdings

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

31 December 2016	No. of units held opening ('000)	No. of units held closing ('000)	Interest held	No. of units acquired ('000)	No. of units disposed ('000)
Keybridge Capital Limited	20,647	22,647	25.51%	2,000	-

30 June 2016	No. of units held opening ('000)	No. of units held closing ('000)	Interest held	No. of units acquired ('000)	No. of units disposed ('000)
Keybridge Capital Limited	20,614	20,647	20.00%	33	-

Other related party information

Seventh Orion Pty Ltd as trustee for Aurora Investment Unit Trust (Seventh Orion) is 50% owned by John Patton, the Managing Director of Aurora Funds Management Limited.

John Patton was appointed to the Board of Keybridge Capital Limited as a Non-executive director on 10 August 2016 and was subsequently appointed to the role of Chairman on 13 October 2016.

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

Under the terms of the Trust Constitution, the Responsible Entity is entitled to receive fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Trust as follows:

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

Notes to the Financial Statements

9. Related party transactions (continued)

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

	Half-year ended	
	31 December 2016 \$'000	31 December 2015 \$'000
Management fees for the half-year paid/payable by the Trust to the Responsible Entity	42	33
Responsible Entity fees paid/payable to the Responsible Entity at the end of the reporting period	50	50

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

10. Other operating expenses

	31 December 2016 \$'000	31 December 2015 \$'000
Responsible Entity fees	50	50
Audit and tax fees	-	4
Bank fees	3	2
Other operating expenses	137	179
Total other operating expenses	190	235

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

11. Unitholder meeting costs

	31 December 2016 \$'000	31 December 2015 \$'000
Legal and professional fees	22	-
Total unitholder meeting costs	22	-

The Trust incurred legal costs in relation to the general meeting called by Wilson Asset Management (International) Limited.

12. Takeover costs

	31 December 2016 \$'000	31 December 2015 \$'000
Legal and professional fees	110	-
Total takeover costs	110	-

The Trust incurred certain costs in relation to the takeover offer for HHY, including legal and independent expert advice.

Notes to the Financial Statements

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

	31 December 2016 \$'000	31 December 2015 \$'000
Net realised gains on financial instruments held at fair value through profit or loss	-	178
Net unrealised (losses)/gains on financial instruments held at fair value through profit or loss	(38)	385
Net foreign exchange gains on cash and cash equivalents	12	10
Total net (losses)/gains on financial instruments held at fair value through profit or loss	(26)	573

Total net losses on financial instruments held at fair value through profit or loss is \$26,000 (2015: profit \$573,000). Included in the net gains/(losses) on financial instruments held at fair value through profit or loss is \$12,000 (2015: \$10,000) foreign exchange gains on cash and cash equivalents.

14. Parent entity financial information

	31 December 2016 \$'000	30 June 2016 \$'000
Statement of Financial Position		
Total assets	11,505	12,819
Total liabilities	(357)	(606)
Net assets attributable to unitholders	11,148	12,213
Statement of Comprehensive Income		
	31 December 2016 \$'000	31 December 2015 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	(264)	608
Profit for the half-year	-	-
Total comprehensive income for the half-year	-	-

15. Contingent assets and liabilities

There were no contingent assets and liabilities at 31 December 2016 (30 June 2016: Nil).

16. Events occurring after the reporting period

On 29 September 2016, the Aurora Global Income Trust (of which Aurora is the Responsible Entity) announced an off-market script takeover bid for the HHY Fund. The cost associated with this takeover was \$110k which was paid from the Trust.

On 19 January 2017, Aurora Global Income Trust extended the offer period from 30 January 2017 to 27 February 2017. On 20 February 2017, Aurora Global Income Trust further extended the offer period from 27 February 2017 to 31 March 2017, so HHY Fund unitholders have until 31 March 2017, unless the offer is further extended, to accept or decline this offer.

As at the date of signing this interim financial report, 7.29% of HHY Fund unitholders have accepted the takeover's offer in exchange of units in the Aurora Global Income Trust (AIB), such that the net asset value (NAV) of the HHY units equates to the NAV of the AIB units. At this stage, there is no intention to wind up the HHY Fund.

Other than the changes already mentioned, no significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the Condensed Statement of Financial Position as at 31 December 2016 or on the results and cash flows of the Trust for the half-year ended on that date.

Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached condensed consolidated financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the condensed consolidated financial statements;
- (c) In the directors' opinion, the attached condensed consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- (d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001*.

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

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



John Patton
Managing Director
28 February 2017



Independent auditor's review report to the unitholders of HHY Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of HHY Fund (the Trust), which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Trust (the consolidated entity). The consolidated entity comprises 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) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 the 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.

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 the Trust is not in accordance with the *Corporations Act 2001* including:

PricewaterhouseCoopers, ABN 52 780 433 757

2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au



1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Elizabeth O'Brien

Elizabeth O'Brien
Partner

Melbourne
28 February 2017