

Aurora Funds Limited
ABN 39 143 194 165
and Controlled Entities

Annual Report

For the year ended 30 June 2014

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Corporate Directory

Directors	Ian Steuart Roe John Corr Simon Lindsay Oliver Morgan
Company Secretary	Betty Poon
Principal Registered Office in Australia	Level 4, 1 Alfred Street Sydney, NSW 2000 (02) 9080 2377
Share register	Registry Direct Level 2 120 Collins Street Melbourne, VIC Australia 3000
Auditor	Deloitte Touché Tohmatsu 550 Bourke Street Melbourne Vic 3000
Solicitors	Baker & McKenzie Level 27, AMP Centre 50 Bridge Street Sydney NSW 2000
Stock exchange listings	Aurora Funds Limited shares are listed on the Australian Securities Exchange (ASX)
Website address	www.aurorafunds.com.au

Directors' report

Your Directors of Aurora Funds Limited present their report on the consolidated entity ("the Group") consisting of Aurora Funds Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were directors of the Group during the whole or part of the financial year and up to the date of this report (except otherwise stated).

Steuart Roe
John Corr
Simon Lindsay
Oliver Morgan (appointed 4 February 2014)
Alastair Davidson (resigned 12 March 2014)

Principal activities

The Group acts as a fund manager and issuer of retail and wholesale funds in the Australian market.

Financial results for the year

The consolidated profit before tax attributable to shareholders of Aurora Funds Limited was \$303,482 (2013: operating loss \$508,403). The consolidated profit after tax attributable to shareholders of Aurora Funds Limited was \$866,723 (2013: operating loss \$508,403). Please refer to the consolidated statement of profit or loss and other comprehensive income on page 18 for further information.

Review of operations

The Group continued to engage in its principal activity of funds management. During the year the Group continued to develop its distribution channels for its ASX listed and unlisted managed investment schemes, and sought additional wholesale investment management mandates.

Revenue from management and performance fees was \$3,590,105 (2013: \$2,810,959) and \$522,479 (2013: \$498,069) respectively. Total revenue amounted to \$4,266,336 (2013: \$3,407,926). Please refer to the consolidated statement of profit or loss and other comprehensive income on page 18 for further details.

Dividends

On 29 August 2014, the directors proposed a dividend of 1 cent per ordinary share to be paid on 31 October 2014. The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

Information on underlying performance

The main factors impacting the performance of the Group was the level of funds under management which is subject to market movements, fund performance and net inflows/outflows of each of the managed investment schemes and client mandates. Total funds under management at 30 June 2014 is \$256m (2013: \$480m).

The Board of Directors have been successful in reducing the overhead costs of the business, expanding its existing client base and achieving an improved financial performance over the last financial year.

Strategy and future outlook

Future revenue growth will depend upon the Group's average level of funds under management, and the investment performance of our funds and client mandates.

The Group will continue to pursue its financial objectives which are to increase the profitability of the Group over time by increasing the value and performance of funds under management

Cost management remains a key focus of the Group. Initiatives during the year have had a positive impact on results and will continue to provide efficiencies into the future.

Directors' report (continued)

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

1. The Group issued an additional 750,000 shares at a consideration of \$1,500,000 to John Corr, or his associates, in accordance with the Share Purchase Agreement of Fortitude Capital Pty Ltd, as described in the initial Public Offering dated 5 May 2010.
2. The Group raised \$573,975 through a share placement of 1,275,000 ordinary shares at \$0.45 per share.

Matters subsequent to the end of the financial year

No other matter or circumstances have arisen since 30 June 2014 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

Aurora Funds Limited continues to pursue its business objectives by continuing to be the holding company of the Aurora Funds Management Limited funds management business. Operating strategies are not expected to change in the foreseeable future.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under the law of the Commonwealth or State.

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 11.

Non-audit services

Non audit services provided by the auditors of the Group during the year, Deloitte Touché Tohmatsu, are detailed below. The directors has considered the position and is satisfied, given the nature and scope of the non-audit services that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

	2014 \$	2013 \$
Amounts paid or payable to the auditors of the Group for non-audit services provided during the year		
Tax compliance services	27,000	-

Insurance of officers

During the financial year the Group paid premiums in respect of a contract insuring the directors of the Group and all executive officers of the Group against any liability incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Group, other than conduct involving a willful breach of duty in relation to the Group. The contract of insurance prohibits disclosure of the amount of the premium.

Indemnity of Auditors

The Company has agreed to indemnify the auditors under certain circumstances as permitted in the *Corporations Act 2001*.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

The company has agreed to indemnify the auditors under certain circumstances as permitted in the *Corporations Act 2001*.

Directors' report (continued)

Information on Directors

Directors

The qualifications, experience and responsibilities of each person who has been a director of Aurora Funds Limited at any time during or since the end of the financial year are provided below.

Ian Steuart Roe BSc MAppFin

Steuart is the Managing Director of Aurora Funds Limited and group of companies. Before joining Aurora, Steuart was the Managing Director and founder of Sandringham Capital Pty Ltd which was a subsidiary of Aurora Funds Limited until it was deregistered in 2013. Prior to establishing Sandringham Capital Pty Ltd, Steuart was Executive Director and Head of Equity Risk Management Products for UBS in Australasia. His responsibilities included the origination, structuring and distribution of equity derivative and cash products to corporate, financial intermediaries and retail clients. From 1992 to 2001 he worked for Citigroup holding numerous roles including, director and Head of Corporate and Retail Equity Derivative Products, Head of Equity Risk Management, Associate Director and Portfolio Manager Structured investments.

John Corr B Comm

John is Chief Investment Officer and Executive Director of Aurora Funds Limited and group of companies. Prior to joining Aurora, John was the Managing Director and founder of Fortitude Capital Pty Ltd, a subsidiary of Aurora Funds Limited. John has over 27 years' experience in the financial markets. Prior to establishing Fortitude Capital, he was a director at Citigroup Global Markets Australia. He worked in proprietary trading for eight years, trading local and overseas equities and equity derivatives, and was responsible for the management and development of a team of equity proprietary traders.

Simon Lindsay B. Bus

Simon is Head of Distribution and Executive Director of Aurora Funds Limited and group of companies. Simon was a founding director of Aurora Funds Management Limited and is responsible for the Australian and New Zealand distribution of the Groups products. He brings to the Group over 20 years' experience in financial services, and has an extensive knowledge of the Australian financial planning market from his previous business development experience at both Challenger International Limited and Ord Minnett Limited.

Oliver Morgan B.E. Civil B.A. Accounting, Grad Dip Fin PI

Oliver was appointed Independent Non-Executive Chairman of Aurora Funds Limited and group of companies on 4 February 2014. Oliver is a founder of Aurora Funds Management Limited and has over 40 years' experience in stockbroking, corporate banking and funds management. Prior to his appointment as Independent Chairman, Oliver served as an Executive Director of Aurora Funds Management Limited and has held numerous business development roles in stockbroking, local and international banks and financial services companies. Oliver is responsible for the existence of an effective strategic planning program and for the consideration of future development possibilities of the Company. He acts as an advisor for the Managing Director and other members of the Board.

Alastair Davidson B.Sc Economics (Hons) CA

Alastair was Head of Institutional Business and Executive Director of Aurora Funds Limited and group of companies up until his resignation on 12 March 2014. Alastair was a founding director of Aurora Funds Management Limited. He has over 30 years' experience in senior executive roles in the United Kingdom, United States and Australian banking and financial services industries. Prior to Aurora Funds Management Limited, Alastair was the Head of Investment Banking at Challenger International Limited. There, he was instrumental in developing investment products including hedge funds, hybrids, fixed interest, and venture capital. Previous to that he was co-head of the structured product group at Salomon Smith Barney (County NatWest) in Sydney, and specialized in equity derivative based investment products.

Company Secretary

The Company Secretary is Ms Betty Poon. Betty was appointed to the position of Company Secretary on 31 January 2014.

Directors' Meetings

The numbers of meetings of the board of directors during the financial year and the number of meeting attended by each director during the financial year were:

Director	Eligible to attend	Attended
Ian Steuart Roe	29	24
John Corr	29	29
Simon Lindsay	29	27
Oliver Morgan	3	3
Alastair Davidson	29	22
	5	

Directors' report (continued)

Remuneration report

The remuneration report outlines the remuneration arrangements of the Group for the year ended 30 June 2014. It details the remuneration arrangements for Key Management Personnel (KMP) of the Group who are defined as those having authority and responsibility for planning, directing and controlling activities of the group.

1. Key Management Personnel details

In the 2014 financial year, the KMP of the Group included a Non-Executive Director and Executive Directors as set out below:

Name	Position	Term as KMP
Non-Executive Director		
Oliver Morgan *	Independent Chairman	4 February 2014 to 30 June 2014
Executive Directors		
Ian Steuart Roe	Managing Director	Full Year
John Corr	Director	Full Year
Simon Lindsay	Director	Full Year
Former Director		
Alastair Davidson	Director	1 July 2013 to 12 March 2014

* Oliver Morgan replaced Steuart Roe as Chairman on 4 February 2014.

The Board does not grant options to KMP under its remuneration policy.

2. Principles used to determine the nature and amount of remuneration

Aurora Funds Limited aims to provide remuneration that is competitive in the market and linked to the Company's long term growth and value. The board of directors seeks to ensure that the Company attracts and retains talented and motivated employees who can enhance business performance through their contributions and leadership. All staff are employed and remunerated by Aurora Funds Limited with all contracts for service being on a continuing basis.

The nature and extent of remuneration is reviewed and agreed upon annually by the board of directors as a whole.

Remuneration of employees is made up of the following components:

Fixed remuneration: includes base salary and employer superannuation contributions. All employees, including directors, have salary reviews on an annual basis. When making changes to an individual's base remuneration the board as a whole considers the employee's responsibilities, historic performance and length of employment with the Company, as well as the applicable industry rate.

Performance bonuses: all employees are eligible for a bonus based on a number of eligibility criteria. These include the Company achieving profitability target of each business line. This ensures that the level of bonuses paid is directly linked to the financial performance of the Company. Upon meeting this criteria a bonus pool is established and allocated to different employee groups. Bonuses are paid via the short-term incentive plan described below.

Short-term incentives: refers to performance based bonuses. All employees have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. STI for the directors and executives in the 2014 financial year were based on the profitability target of each business line as disclosed below. These targets were set by the board of directors and align to the company's strategic and business objectives.

Profitability Target	Available STI
\$0 to \$1,000,000	75% of profits
\$1,000,001 to \$2,000,000	66% of profits
\$2,000,001 and above	50% of profits

* The short-term incentive scheme expires on 31 December 2015.

Directors' report (continued)

Remuneration report (continued)

Bonuses are ultimately determined by the board and are paid annually as at 31 December each calendar year. At the date of this report, the value of STI to be paid to all employees including directors for the calendar year to 31 December 2014 (31 December 2013: \$875,855) has not been finalised.

3. Details of remuneration

A summary of the remuneration for the directors for the financial year ended 30 June 2014 is as follows:

30 June 2014	Short-term benefits	Post-employment benefits	Share based payments		% Fixed Remuneration	% Remuneration linked to performance
Name	Cash salary and fees	Superannuation	Deferred shares	Total		
<i>Directors:</i>						
Ian Steuart Roe	248,282	16,718	-	265,000	91%	9%
John Corr	414,518	17,775	-	432,293	56%	44%
Simon Lindsay	391,741	17,775	-	409,516	48%	52%
Oliver Morgan	7,500	-	-	7,500	100%	0%
Alastair Davidson [^]	115,925	24,365	-	140,290	84%	16%
<i>Other Key Management Personnel:</i>						
Richard Matthews ^{^^}	152,921	6,715	-	159,636	80%	20%
Total key management personnel compensation	1,319,116	83,347	-	1,229,599		

[^] Mr Davidson was a director up until his resignation on 12 March 2014.

^{^^} Mr Mathews was an executive up until his resignation on 7 February 2014.

30 June 2013	Short-term benefits		Post-employment benefits	Share based payments	Total
Name	Cash salary and fees	Non-monetary benefits	Superannuation	Deferred shares ^{**}	
<i>Directors:</i>					
Ian Steuart Roe	234,225	-	15,775	-	250,000
John Corr	257,801	-	17,499	500,000	722,701
Simon Lindsay	162,340	-	13,540	-	175,880
Alastair Davidson	118,058	-	25,000	-	143,058
<i>Other Key Management Personnel:</i>					
Richard Matthews [*]	234,225	-	15,775	-	250,000
Total key management personnel compensation	931,535	-	85,953	500,000	1,517,488

^{*} Mr Matthews was a director up until his resignation on 3 May 2013. Amounts shown above include all Mr Matthews' remuneration during the reporting period, whether as a director or other key management personnel. Amounts received in his position of director amounted to \$147,833, made up of cash salary and fees of \$135,792 and superannuation of \$12,041.

^{**} The Group has agreed to issue an additional 750,000 shares to John Corr, or his associates, on the third anniversary of the acquisition date of Fortitude Capital Pty Ltd (12 July 2013), subject to John Corr not resigning before that date. The cost of these shares has been expensed each year on a straight line basis.

Directors' report (continued)

Remuneration report (continued)

4. Service agreements and employment agreements

Remuneration and other terms of employment for the Independent Non-Executive directors are formalised in service agreements.

Oliver Morgan

Independent Non-Executive Chairman

- Commenced on 4 February 2014
- Term of appointment - no fixed term
- Fees - \$30,000 per annum
- Termination notice period - 1 month

Executive directors are engaged under employment agreements with Aurora Funds Management Limited. The employment agreements specify the components of remuneration, benefits and notice periods. Participation in the short term incentives is subject to the Board's discretion.

Ian Steuart Roe

Managing Director

Steuart is employed under a contract with Aurora Funds Management Limited, with effect from 5 May 2010 and will continue indefinitely until terminated.

Under the terms of the contract, Steuart:

- Received fixed compensation as a total employment cost package of \$240,000 per annum, inclusive of statutory superannuation contributions. Fixed compensation is subject to review on 1 January 2016.
- Is eligible to receive variable compensation being a maximum short-term incentive amount of up to but not exceeding 400% of his fixed compensation for that financial year. The amount of short-term incentive is based on the profitability targets of each business line as defined on page 6.

John Corr

Executive Director

John is employed under a contract with Aurora Funds Management Limited, with effect from 5 May 2010 and will continue indefinitely until terminated.

Under the terms of the contract, John:

- Received fixed compensation as a total employment cost package of \$250,000 per annum, inclusive of statutory superannuation contributions. Fixed compensation is subject to review on 1 January 2016.
- Is eligible to receive variable compensation being a maximum short-term incentive amount of up to but not exceeding 400% of his fixed compensation for that financial year. The amount of short-term incentive is based on the profitability targets of each business line as defined on page 6.

Simon Lindsay

Executive Director

Simon is employed under a contract with Aurora Funds Management Limited, with effect from 5 May 2010 and will continue indefinitely until terminated.

Under the terms of the contract, Simon:

- Received fixed compensation as a total employment cost package of \$225,000 per annum, inclusive of statutory superannuation contributions. Fixed compensation is subject to review on 1 January 2016.
- Is eligible to receive variable compensation being a maximum short-term incentive amount of up to but not exceeding 400% of his fixed compensation for that financial year. The amount of short-term incentive is based on the profitability targets of each business line as defined on page 6.

Directors' report (continued)

Remuneration report (continued)

4. Service agreements and employment agreements (continued)

Alastair Davidson

Executive Director

During the year, Alastair was employed under a contract with Aurora Funds Management Limited, with effect from 5 May 2010 and which continued until terminated on 12 March 2014, when Alastair resigned.

Under the terms of the contract which applied for the period 1 July 2013 to 12 March 2014, Alastair:

- Received fixed compensation as a total employment cost package of \$225,000 per annum, inclusive of statutory superannuation contributions. Fixed compensation is subject to review on 1 January 2016.
- Is eligible to receive variable compensation being a maximum short-term incentive amount of up to but not exceeding 400% of his fixed compensation for that financial year. The amount of short-term incentive is based on the profitability targets of each business line as defined on page 6.

5. Additional information

Relationship between Remuneration and Company Performance

The following compares financial results for the last five years to incentive payments to key management personnel:

	2014	2013	2012	2011	2010
Profit/(loss) before tax	\$303,482	(\$508,403)	(\$1,011,364)	(\$4,659,717)	(\$162,884)
Profit/(loss) after tax	\$883,482	(\$508,403)	(\$1,011,364)	(\$4,379,560)	(\$162,884)
Total performance fees	\$522,479	\$498,069	\$67,524	\$54,458	-
Basic earnings per share	8.05	(5.68)	(11.31)	(49.06)	(13.86)
Total KMP short term incentives as a percentage of total income for the year	7.40%	4.85%	1.42%	-	-

The above highlights the impact that performance fees have in determining the total bonus pool available to all employees including key management personnel. For further details on performance bonuses payable to all staff including key management personnel, see page 6.

Directors' report (continued)

Directors' interest in shares

Number of shares held by key management personnel:

Directors	Balance 1 July 2013	Movement	Balance 30 June 2014
Ian Steuart Roe	2,371,956	(744,650)	1,627,306
John Corr	924,251	820,001	1,744,252
Simon Lindsay	650,001	37,000	687,001
Oliver Morgan	709,999	(35,000)	674,999
Alastair Davidson	650,001	(455,560)	194,441

Shares issued on the exercise of options

No shares were issued during or since the end of the financial year as a result of exercise of options. No options have been issued over issued or unissued share capital of the consolidated group.

Loans to key management personnel

During the financial year there were no loans to key management personnel, including their related parties. Refer to note 19 for details of transactions with related parties. There were no other transactions with related parties during the year other than those detailed in Note 19 of the financial statements.

Voting and comments made at the Company's 2013 Annual General Meeting

At the company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

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

Steuart Roe
 Managing Director
 29 August 2014

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Shareholder Information

Distribution of shareholders

Category (size of holding)	Number of shareholders	Shares	Percentage
1 – 1,000	50	45,550	0.42
1,001 – 5,000	178	348,193	3.17
5,001 – 10,000	15	115,296	1.05
10,001 – 100,000	31	1,240,402	11.31
100,001 and over	18	9,222,056	84.05
	292	10,971,497	100.00

Top 20 Shareholders as at 21 August 2014

The names of the 20 largest holders of ordinary securities as at 21 August 2014 are as follows:

Name	Number of shares	%
Keybridge Capital Limited	1,634,700	14.90
Knoxy Holdings Pty Ltd	1,150,000	10.48
Trafalgar Street Nominees	858,770	7.83
Mr Oliver John Morgan	674,999	6.15
Taycol Nominees Pty Ltd	648,500	5.91
J P Morgan Nominees Australia Limited	591,804	5.39
Mr Ian Steuart Roe	524,806	4.78
Mr John Frederick Corr	500,000	4.56
Hugh Latimer & Company Pty Ltd	490,000	4.47
Mr Simon A Lindsay	338,501	3.09
RGM Super Pty Ltd	312,500	2.85
S & N Lindsay Investments Pty Ltd	312,500	2.85
Ms Jeni Lulevska	243,730	2.22
Dinwoodie Investments Pty Ltd	225,103	2.05
Mr Peter Frederick Phillips	223,000	2.03
BT Portfolio Services Limited	200,000	1.82
A D Family Pty Ltd	173,201	1.58
Calama Holdings Pty Ltd	120,000	1.09
Octifil Pty Ltd	99,218	0.90
HSBC Custody Nominees (Australia) Limited	96,034	0.88
	9,417,366	85.83

Voting Rights

At a general meeting of shareholders, each shareholder in person or proxy are entitled to one vote for each share held.

At any general meeting, resolutions are to be decided on a show of hands unless a poll is requested by at least five shareholders entitled to vote on the resolution, by shareholders entitled to cast at least 5% of the votes that may be cast on the resolution or by the chair.

2014 Annual General Meeting

The Annual General Meeting will be held at Aurora Funds Limited, Level 4, 1 Alfred Street Sydney at 11am on 18 November 2014. Details of all resolutions being put to shareholders will be distributed prior to the meeting.

Corporate Governance Statement

The directors and management of Aurora Funds Limited and its controlled entities ("the Group") are committed to maintaining best practice in corporate governance. This statement of principles outlines the approach taken by the Board in managing the business affairs of the Group (and its controlled entities) and in fulfilling its duties to meet the interests of the Group as a whole.

A description of the group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations.

Corporate Structure

Aurora Funds Limited (Aurora) is a Group limited by shares, incorporated and domiciled in Australia. Aurora Funds Limited (the Group) is the parent entity of Aurora Funds Management Limited and Fortitude Capital Pty Ltd. As at 30 June 2014, Aurora Funds Management Limited and Fortitude Capital Pty Ltd act as Investment Managers and/or Responsible Entities for the managed funds (the Trusts).

A Responsible Entity (the "RE") of a scheme must perform the duties detailed in the Constitution of the Trust and those regulated by the *Corporations Act 2001*. The duties of the RE include, amongst other things:

- Acting honestly
- Exercising a duty of care and diligence
- Act in the best interest of unit holders
- Treat unit holders equally where they hold the same class
- Treat unit holders fairly where they hold different classes
- Make sure the Trust property is valued at regular intervals
- Ensure that all payments from the Trust are in accordance with the Constitution
- Report any breaches that may have a material adverse impact on the interests of unit holders
- Make sure that information acquired through being the RE is not used to gain advantage for the RE or used to harm the interests of unit holders.

Principle 1: Lay solid foundations for management and oversight

The Board is elected by the Shareholders to represent all Shareholders. It is a director's responsibility, in all decisions he or she is called upon to make concerning the Group's affairs, to conscientiously weigh the interests of Shareholders in light of the circumstances and to consider the effects of such decisions on the interests of all Shareholders.

The Board is to exercise effective control over management to optimise the Group's performance in the interests of the Group as a whole. The manner in which the Board operates is set out in the Board charter of the Group which is found on its website.

In general terms the Board charter covers the following:

- a) duties and responsibilities of the Board;
- b) powers of the Board;
- c) delegation to senior management;
- d) number and independence of directors;
- e) term of office of non-executive and executive directors;
- f) terms of appointment;
- g) responsibilities of the chair;
- h) Board proceedings;
- i) Board committees and delegation;
- j) evaluation of Board performance;
- k) directors' indemnity and insurance;
- l) Independent advice and access to information;
- m) related party transactions;
- n) disclosures of interests.

Corporate Governance Statement (continued)

Principle 2: Structure the board with effective composition, size, and commitment

Board composition

The Board has three executive directors and an independent chairman. The managing director is Mr Steuart Roe. The other executive directors are Mr John Corr and Mr Simon Lindsay. Mr Oliver Morgan is the independent non-executive director.

Directors' independence

Directors are expected to bring separate views and professional judgment to the Board's deliberations.

The Board has reviewed the position and associations of each of the directors in office and during the current financial year has appointed an independent non-executive chairman.

Whilst the Board has considered ASX Recommendation 2.1 (independent majority of directors), it considers that this recommendation is better suited to a Group with a necessarily large board. Given the size and cohesion of the Board, and the fact that the executive directors also make up the Group's senior management, the requirement of having an independent majority directors will add no positive value. Note that during the financial year the Group now has an independent chair and that the role of chair and managing director are now performed by different people.

Given the size and scope of the Group's operations, the Board considers that it has the relevant experience in the industry in which it operates and is appropriately structured to discharge its duties in a manner that is in the best interest of the Group and its Shareholders from both a long term strategic and operations perspective.

Board members

Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading 'Information on directors'.

Commitment

The Board meets formally at least six times a year and more frequently as required. On the invitation of the Board or request of senior management, members of senior management attend and make presentations at Board meetings. In addition, the Board holds strategic planning sessions with management at which the Group's strategic plans are reviewed and agreed.

The number of meetings of the Group's board of directors and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director is disclosed on page 5.

Board committees

It is the role of the Board of directors to monitor the management of the Group and the Board may establish appropriate committees to assist in this role. At the date of this statement, no committees have been established.

In the event that any committee is established by the Board, the Board may adopt a committee charter in respect of the committee, addressing the composition, responsibilities, administration and any other matters the Board determines relevant to such committee.

The Compliance Committee

The Compliance Committee for the RE comprises:

- Ms Betty Poon (internal member)
- Mr David Lewis (external)
- Mr Mark Hancock (external)

Mr David Lewis is a qualified actuary and has over 42 years' experience in financial services, predominantly in administration and consulting to fund management companies. David serves on the compliance committees of a number of Responsible Entities.

Mr Mark Hancock is a qualified actuary and has over 30 years' experience in the securities and funds management industry. Mark has significant applied research experience in Australian Equity markets accumulated from a variety of roles over a period of some 19 years. He was previously an equity portfolio manager with NRMA and MMI Insurance.

Corporate Governance Statement (continued)

The Compliance Committee (continued)

The external members of the Compliance Committee are nominated and remunerated by the Aurora Funds Management Limited (RE). The Compliance Committee Charter is available at Aurora's website www.aurorafunds.com.au.

The Chair of the Compliance Committee rotates amongst the three members. Meetings are held at least quarterly and all members have access to:

- the books and records and any other relevant information of the Group;
- the auditors of the RE;
- the auditors of the Trusts issued by the RE; and
- the auditor of the Compliance Plan.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Group has adopted a code of conduct for all employees (including directors) of the Group. The code of conduct is aimed at establishing the values of the Group and maintaining the highest ethical standards, corporate behavior and accountability within the Group and its controlled entities. Both the statement of corporate governance principles and the code of conduct are consistent with ASX Principle 3.

The behavior of all directors and employees of the Group will meet the highest standards at all times. The minimum standards to be achieved are set out in a code of conduct which has been adopted by the Board and all employees. The code of conduct can be found on the Group's website.

The Board will review this statement at least every three years and make any changes it determines necessary or desirable.

Diversity

Whilst the Board has considered ASX Guidance Note 9 related to gender diversity it considers that these recommendations are better suited to a group with a necessarily large board. Given the size of the Board, and the fact that the directors also make up the founding executives of the various Group companies, the recommendation of establishing gender diversity on the Board is not practicable. Nevertheless, the Board considers that the company is an equal opportunity employer, and ensures that gender or cultural diversity is not a barrier to employment with the company as opportunities may arise. Approximately 33% (2013: 23%) of company employees are women, of which two hold senior management positions.

Principle 4: Safeguard integrity in financial reporting

External auditors

Appointment of auditors

The Group's current external auditors are Deloitte Touché Tohmatsu. The effectiveness, performance and independence of the external auditors are reviewed by the Board. If it becomes necessary to replace the external auditors for performance or independence reasons, the Board will then formalise a procedure for the selection and appointment of new auditors.

Independence declaration

External auditors are required to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with relevant accounting standards and the rules of the professional accounting bodies.

Audit committee

As at the date of this statement no board committees have been established. Given the size and scope of the Group's operations, the Board considers that an audit committee will add no positive value.

Corporate Governance Statement (continued)

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

The Board has adopted a continuous disclosure and Shareholder reporting policy (that is consistent with ASX Principle 5) to ensure compliance with the ASX Listing Rules continuous disclosure requirements.

This policy:

- (a) gives guidance as to the information that may need to be disclosed, and
- (b) gives guidance for dealing with market analysts and the media;
- (c) establishes regular reminders to directors and senior management to actively consider whether there is any price sensitive information which needs disclosure; and
- (d) allocates responsibility for approving public disclosures and Shareholder communications.

The Board has approved the Group's policy to promote effective and transparent communication with its Shareholders. In addition the Group communicates with its Shareholders through a number of means including:

- (e) annual and half-yearly reports;
- (f) regular Shareholder updates sent by email or mail;
- (g) media releases, public announcements; and
- (h) annual general meetings.

In addition, the Group is committed to allow reasonable opportunity for informed Shareholder participation at general meetings.

Principle 7: Recognise and manage risk

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has, as part of its management and reporting systems, a risk management policy. The policy identifies the establishment of a management risk group which meets to identify and monitor the risks faced by the Group and which recommends mitigation strategies. The management risk group reports to the Board at regular intervals. In addition, regular reports are provided to the Board on issues such as compliance, insurance, and financial issues. Management is ultimately responsible to the Board for the Group's system of internal control and risk management.

The managing director and the Chief Operating Officer provide the Board with an annual written statement that the statement given with respect to the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Principle 8: Remunerate fairly and responsibly

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

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

At the review:

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

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Consolidated statement of profit or loss and other comprehensive income

		Year Ended	
	Notes	2014 \$	2013 \$
Revenue from continuing operations			
Management fee income		3,590,105	2,810,959
Interest income from financial assets not held at fair value		153,751	98,898
Other income		522,479	498,069
Total income		<u>4,266,336</u>	<u>3,407,926</u>
Occupancy expenses		143,786	124,445
Personnel expenses		2,581,383	2,123,133
Share based payment		-	500,000
Fund expenses		698,722	712,792
Other expenses	6	429,893	362,281
Finance costs		109,070	93,678
Total operating expenses		<u>3,962,854</u>	<u>3,916,329</u>
Profit/(loss) before tax		303,482	(508,403)
Income tax benefit	5	563,241	-
Profit/(loss) for the year from continuing operations		<u>866,723</u>	<u>(508,403)</u>
Profit/(loss) attributable to shareholders of Aurora Funds Limited		<u>866,723</u>	<u>(508,403)</u>
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income/(loss) attributable to the shareholders of Aurora Funds Limited		<u>866,723</u>	<u>(508,403)</u>
Earnings per share:			
Basic earnings per share (cents)		7.90	(5.68)
Diluted earnings per share (cents)		7.90	(5.68)

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

Consolidated statement of financial position

		2014	As at 2013
	Notes	\$	\$
Current assets			
Cash and cash equivalents	8	4,043,716	2,472,838
Trade and other receivables	9	621,487	1,431,451
Other current assets	9	95,491	131,284
Total current assets		<u>4,760,694</u>	<u>4,035,573</u>
Non-current assets			
Plant and equipment	10	38,583	49,818
Deferred tax asset		843,398	316,641
Loans and receivables		8,903,000	-
Intangible assets	11	3,822,006	3,822,006
Total non-current assets		<u>13,606,987</u>	<u>4,188,465</u>
Total assets		<u>18,367,682</u>	<u>8,224,038</u>
Current liabilities			
Trade and other payables	12	1,223,652	1,539,869
Short-term borrowings	13	21,192	23,446
Total current liabilities		<u>1,244,844</u>	<u>1,563,315</u>
Non-current liabilities			
Trade and other payables	12	71,308	-
Deferred tax liability		-	36,484
Other non-current liabilities		107,457	-
Financial liabilities		8,903,000	-
Sub-ordinated debt	13	1,000,000	1,000,000
Total non-current liabilities		<u>10,081,765</u>	<u>1,036,484</u>
Total liabilities		<u>11,326,609</u>	<u>2,599,799</u>
Net assets		<u>7,041,072</u>	<u>5,624,239</u>
Equity			
Share capital	14	12,957,414	10,907,304
Share based payment reserve	22	-	1,500,000
Accumulated losses		(5,916,342)	(6,783,065)
Total equity		<u>7,041,072</u>	<u>5,624,239</u>

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

Consolidated Statement of Changes in Equity

	Share capital	Accumulated profit/(loss)	Share based payment reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2013	10,907,304	(6,274,662)	1,000,000	5,632,642
Comprehensive Income for the year	-	(508,403)	-	(508,403)
Shares issued	-	-	-	-
Share based payment reserve	-	-	500,000	500,000
Capital raising costs	-	-	-	-
Balance at 30 June 2013	<u>10,907,304</u>	<u>(6,783,065)</u>	<u>1,500,000</u>	<u>5,624,239</u>
Comprehensive Income for the year	-	866,723	-	866,723
Shares issued	573,975	-	-	573,975
Share based payment reserve	1,500,000	-	(1,500,000)	-
Capital raising costs	<u>(23,865)</u>	<u>-</u>	<u>-</u>	<u>(23,865)</u>
Balance at 30 June 2014	<u>12,957,414</u>	<u>(5,916,342)</u>	<u>-</u>	<u>7,041,072</u>

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

Consolidated statement of cash flows

		Year Ended
	2014	2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	4,854,305	2,660,733
Payments suppliers and employees	(3,856,684)	(2,748,164)
Interest received	110,190	63,793
Interest and other cost of finance paid	(85,623)	(77,808)
Net cash generated by/(used in) operating activities	20 <u>1,022,188</u>	<u>(101,446)</u>
Cash flows from investing activities		
Payment for plant and equipment	(1,420)	(11,685)
Loans to other entities	(8,903,000)	-
Net cash used in investing activities	<u>(8,904,420)</u>	<u>(11,685)</u>
Cash flows from financing activities		
Proceeds from issue of corporate bond	8,903,000	-
Proceeds from issue of equity instruments of the Company	573,975	-
Payment for share issue costs	(23,865)	-
Net cash generated by financing activities	<u>9,453,110</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	1,570,878	(113,131)
Cash and cash equivalents at the beginning of the year	<u>2,472,838</u>	<u>2,585,969</u>
Cash and cash equivalents at the end of the year	8 <u>4,043,716</u>	<u>2,472,838</u>

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

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Aurora Funds Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the directors as at the date of the directors' report. The directors have the power to amend and reissue the financial statements.

Compliance with IFRS

The consolidated financial statements of the Aurora Funds Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, certain classes of property and plant and equipment.

Going concern

These financial statements have been prepared on a going concern basis.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial statements, are disclosed in note 2.

(b) Application of new and revised Accounting Standard

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011);

Impact of the application of AASB 10

AASB 10 Consolidated Financial Statements replaces all guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 112 Consolidation - Special Purpose Entities.

As a result of AASB 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In accordance with the transitional provisions of AASB 10, the Group reassessed the control conclusion for its investees at 1 July 2013 and as the subsidiaries are 100% wholly owned, there has been no impact on the control conclusion.

Impact of the application of AASB 119

AASB 119 Employee Benefits has changed the accounting for the Group's annual leave obligations. As the Group does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits (except for annual leave obligations that have already been approved). This did change the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

No other new and amended accounting standards effective for the financial year beginning 1 July 2013 affected any amount recorded in the current or prior year.

1. Summary of significant accounting policies (continued)

(b) Application of new and revised Accounting Standard (continued)

Impact of the application of AASB 13

AASB 13 Fair value measurement provides guidance for determining the fair value of assets and liabilities. It does not change when the Group is required to use fair value, but, rather, provides guidance on how to determine fair value when fair value is required. It has also expanded the disclosure requirements for all assets and liabilities carried at fair value. The Group reviewed its policies for measuring fair value of assets and liabilities and the adoption of AASB 13 has not resulted in any change in fair value measurements of assets and liabilities of the Group, however additional disclosures have been included in note 3(e).

Impact of the application of AASB 2011-4

AASB 2011-4 Amendments to Australian Accounting Standards to remove individual key management personnel disclosures requirements in AASB 124 Related Party Disclosures. The Group has removed the individual key management personnel disclosures in the related party note.

(c) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries during the year and at balance date. Details of controlled entities are contained in Note 19.

Controlled entities are entities over which the Group has control, which is when the Group is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group.

The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

In some business combinations, a new entity formed to effect a business combination is not necessarily the acquirer. If a new entity is formed to issue equity interests to effect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer. The acquirer is usually the combining entity whose relative size is greater than that of the other combining entities as well as other factors such as domination of the board or management. In such circumstances, the acquirer is the entity whose equity interests have been acquired and the issuing entity (along with any other businesses acquired) is the acquiree.

Accordingly, the consolidated financial statements are prepared as a continuation of the accounting acquirer's financial statements and reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent and any other businesses acquired. Therefore, the cost of the business combination shall be allocated by measuring the identifiable assets, liabilities and contingent liabilities of the legal parent and other acquired businesses that satisfy the recognition criteria at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amount are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, which is the rate that a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

2. Summary of significant accounting policies (continued)

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Management and performance fee revenue

Management fee revenue is recognised in profit or loss as it accrues based on the entitlements set out in the relevant investment management agreements, and listed and unlisted fund constitutions or product disclosure statements. Performance fee revenue is recognised in profit or loss when the Group's entitlement to it becomes certain, usually at the end of the period to which the fee relates.

(ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Australian dollars, which is Aurora Funds Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at balance date. The fair values of financial assets are determined using the exchange rates at balance date.

Foreign currency exchange differences relating to financial assets are included in changes in fair value disclosed in net operating profit or other comprehensive income. All other foreign currency exchange differences are presented separately in profit or loss.

(h) Employee benefits

Liabilities for wages and salaries, performance bonuses, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash flow to be made in respect of services provided by employees up to the reporting date.

Contributions to the superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. Summary of significant accounting policies (continued)

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(j) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects, neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and loss. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Aurora Funds Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(k) Cash and cash equivalent

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1. Summary of significant accounting policies (continued)

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group 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 60 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 profit or loss 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 profit or loss.

(m) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

The effective life used for each class of depreciable assets are:

Class of Fixed Asset	Effective Life
Furniture and fittings	4 – 13 years
Computer equipment and software	2 -4 years

(n) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

1. Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) in the consolidated statement of financial position.

(iii) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade receivables is described in note 9.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are assets that are not classified in any other financial asset category. These assets are carried at cost. Changes in the fair value of available-for-sale financial assets are recognised in the consolidated statement of financial position and included in the consolidated statement of profit or loss and other comprehensive income until the asset is disposed or impaired.

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 11. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination as described in Note 2(d) in which the goodwill arose.

(ii) Management contracts

Management contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which varies depending on the length of the contract. Open ended contracts are deemed to have an indefinite useful life and are not subject to amortisation. Instead, these are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Fair value less cost to sell calculations are based on the present value of cash flows over five years plus assigning a terminal value of cash flow.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies (continued)

(q) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) Comparatives

Where required, comparative information has been reclassified for consistency with current year disclosures.

(t) Segment reporting

The Group is organised into one main business segment – funds management, which operates solely in the business of funds management within Australia.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(u) Leases

Leases of property, in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1. Summary of significant accounting policies (continued)

(x) Accounting standards and interpretations issued but not yet operative at 30 June 2014

A number of new standards, amendments to standards and interpretations have been issued at the reporting date but are not yet effective. The effect of not applying these standards on the Group is nil.

(i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018)*

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised nil of such gains in other comprehensive income. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) *IFRS 15 Revenue from contracts with customers, (effective 1 July 2017)*

IFRS 15 supersedes the revenue recognition guidance of AASB 118 Revenue, AASB 111 Construction contracts and related interpretations. The core principle in IFRS 15 requires revenue recognition to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to receive. IFRS 15 has not yet been issued as an Australian Accounting Standard

(y) Parent entity financial information

The financial information for the parent entity, Aurora Funds Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of Aurora Funds Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

There were no dividends paid to the parent entity from its subsidiaries during the period ending 30 June 2013.

(ii) *Tax consolidation legislation*

Aurora Funds Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Aurora Funds Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Aurora Funds Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Aurora Funds Limited for any current tax payable assumed and are compensated by Aurora Funds Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Aurora Funds Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

1. Summary of significant accounting policies (continued)

(y) Parent entity financial information (continued)

(iii) *Share-based payments*

The grant by the company of options over its equity instruments to the employees of subsidiary Undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumption that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Impairment of non-financial assets other than goodwill

The Group tests annually whether goodwill and intangibles have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 11 for details of these assumptions and the potential impact of changes to the assumptions.

(b) Deferred taxes

The Group has recognised deferred tax assets relating to carried forward tax losses that can be utilised in future periods, based on the assumption that no adverse change will occur in the income tax legislation. The Group has determined that based on future profitability forecasts, utilisation of these tax losses by the Group will be achieved.

3. Financial Risk Management

The Group's principal financial assets comprise loans and receivables and cash and cash equivalents. The Group also holds available-for-sale financial assets. The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these liabilities is to finance the Group's operations.

The Group's activities expose it to a variety of direct and indirect financial risks comprising market risk, interest rate risk, credit risk, liquidity risk and fair values.

(a) Market risk

The key direct risks associated with the Group are those which impact on the investment funds for which Aurora Funds management Limited acts as investment manager/responsible entity.

Unfavourable economic movements, both globally and within the markets in which the funds operate, can have a significant impact on the investment returns of the funds, and the funds under management (FUM).

FUM directly correlates to the level of management fees received by the Group as management fees are based on a percentage of FUM.

Performance fees are paid to Aurora Funds Management Limited if the certain investment funds meet certain performance criteria. A period of negative performance will significantly impact on the level of performance fees paid to the Group and hence affect total profitability of the Group.

3. Financial Risk Management (continued)

(b) Interest rate risk

The Group's interest rate risk arises from cash held at call and on term deposits and long-term borrowings.

The Group invests its excess cash in term deposits in order to mitigate interest rate fluctuations. During 2014 and 2013, the Group's borrowings at variable rate were in Australian Dollars.

The Group's exposure to interest rate risks of financial assets and financial liabilities are as follows:

	30 June 2014		30 June 2013	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash at hand	2.44%	4,043,716	4.42%	2,472,838
Sub-ordinated debt	8.75%	(1,000,000)	8.75%	(1,000,000)
Net exposure to cash flow interest rate risk		3,043,716		1,472,838

At 30 June 2014, if interest rates had increased by 50 basis points or decreased by 50 basis points (2013: 50 basis points) from the year end rates with all other variables held constant, profit for the year would have been \$15,219 higher/\$15,219 lower (2013: \$7,364 higher/\$7,364 lower), mainly as a result of higher/lower interest income from cash and cash equivalents and borrowings.

(c) Credit risk

Credit risk for financial instruments arises from the potential failure by counterparties to the contract in meeting their obligations.

(i) Trade receivables

The maximum exposure to credit risk is the carrying amount of assets, net of any provisions for doubtful debts of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

The Group does not have any material credit risk exposure to any single debtor as the debtors are the funds it manages. The Company is the manager of each of these funds and exercises its control to manage this risk by ensuring fees are paid by each fund on a timely basis.

(ii) Cash deposits

Credit risk for cash deposits is managed by holding all cash with major Australian banks.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at call of \$1,970,879 (2013: \$1,868,564) that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) of cash and cash equivalents (note 8) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

3. Financial Risk Management (continued)

(d) Liquidity risk (continued)

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Over 1 year to 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$	\$	\$	\$	\$
As at 30 June 2014					
<i>Non-derivatives</i>					
Trade payables	2,453,975	61,310	100,838	2,706,123	2,706,123
Borrowings	67,196	43,750	1,350,000	1,460,946	1,021,192
Total non-derivatives	2,611,171	105,060	1,450,838	4,167,069	3,727,315
 As at 30 June 2013					
<i>Non-derivatives</i>					
Trade payables	1,284,096	78,053	177,720	1,539,869	1,539,869
Borrowings	67,196	43,750	1,350,000	1,460,946	1,023,446
Total non-derivatives	1,351,292	121,803	1,527,720	3,000,815	2,563,315

(e) Fair value measurement

The Group classifies the fair value measurements of financial assets and financial liabilities using the three level fair value hierarchy set out below, to reflect the source of valuation inputs used when determining fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques using market observable inputs either directly (as prices) or indirectly (derived from prices).
- Level 3: valuation techniques using non-market observable inputs.

The Group holds an investment in Shareandfund Pty Ltd and as this is an equity instrument that does not have a quoted market price in an active market and its fair value cannot be reliably measured, this investment is measured at cost.

The carrying amounts of trade and other receivables and trade and other payables and borrowings are reasonable approximations of their respective fair values.

4. Segment information

The Group is organised into one main segment which operates solely in the business of funds management with Australia.

The Group operates in Australia and holds all assets within Australia.

The Company has identified its operating segments based on the internal management reports that are reviewed and used by the Board of Directors (who are the chief operating decision makers) in assessing performance and determining the allocation of resources.

The Directors are of the opinion that the current financial position and performance of the Group is equivalent to the operating segments identified above and as such no further disclosure has been provided.

5. Income tax

(a) Reconciliation of income tax revenue	2014 \$	2013 \$
Profit/(loss) before income tax expense	303,482	(508,403)
Prima facie income tax expense/(benefit) at 30%	(91,045)	152,521
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:		
Share-based payments	-	(150,000)
Non-deductible expenses	43,951	
Non Recognition of tax benefit	-	(2,521)
Recognition of previously unused tax losses	610,335	-
Income tax revenue reported in the consolidated statement of profit or loss and other comprehensive income	563,241	-

(b) Components of income tax revenue	2014 \$	2013 \$
Deferred tax benefit	563,241	-
Income tax revenue reported in the consolidated statement of profit or loss and other comprehensive income	563,241	-

At 30 June 2014, a deferred tax asset of \$843,398 has been recognised in the statement of financial position, as it is probable that there will be future taxable profits available to recover the asset. The Group has experienced recent tax losses, however, there is a high expectation that future taxable profits will occur, which has been demonstrated by the Groups future profitability analysis.

6. Other expenses

	2014 \$	2013 \$
Professional fees	166,725	105,563
Registry	35,082	29,763
Insurance	67,463	68,152
IT fee	28,002	24,680
Depreciation	12,655	32,219
Marketing	2,864	4,271
Audit fees	68,850	60,000
Other operating expenses	48,251	37,633
	429,893	362,281

7. Dividends

Dividends declared after year-end	2014 \$	2013 \$
Proposed dividends not recognised at year end at 1.0 cents per share (2013: Nil) per share 100% unfranked	109,715	-

8. Cash and cash equivalents

	2014	2013
Current assets	\$	\$
Cash at bank and on hand	2,072,837	604,274
Deposits on call	1,970,879	1,868,564
	<u>4,043,716</u>	<u>2,472,838</u>

9. Trade and other receivables

	2014	2013
Current assets	\$	\$
Trade receivables	621,487	1,431,451
	<u>978,751</u>	<u>1,431,451</u>
Other receivables	95,491	131,284
	<u>716,979</u>	<u>1,562,735</u>

(a) Impaired trade receivables

As at 30 June 2014, there were nil (2013: nil) current trade receivables that were impaired.

(b) Risk exposure

As at 30 June 2014, no trade receivables were past due nor impaired.

10. Plant and equipment

	Plant and equipment	Total
2014		
Balance at beginning of the year	49,818	49,818
Additions	1,420	1,420
Depreciation charge	(12,655)	(12,655)
Carrying amount at 30 June 2014	<u>38,583</u>	<u>38,583</u>
2013		
Balance at beginning of the year	70,357	70,357
Additions	11,680	11,680
Depreciation charge	(32,219)	(32,219)
Carrying amount at 30 June 2013	<u>49,818</u>	<u>49,818</u>

11. Intangible assets

	Management Rights	Total
	\$	\$
2014		
Balance as at 30 June 2013	3,822,006	3,822,006
Acquisitions of business	-	-
Impairment charge	-	-
Balance as at 30 June 2014	<u>3,822,006</u>	<u>3,822,006</u>
2013		
Balance as at 30 June 2012	3,822,006	3,822,006
Acquisitions of business	-	-
Impairment charge	-	-
Balance as at 30 June 2013	<u>3,822,006</u>	<u>3,822,006</u>

11. Intangible assets (continued)

(a) Carrying amount allocated to each cash generating unit

The cash-generating units are aligned to the Chief Operating decision makers reporting structure, the structure for which budgets and strategic plans are prepared, the day-to-day management of the business. The cash-generating units are set out below:

	Fortitude Capital Pty Ltd	Sandringham Capital Pty Ltd	Total
2014	\$	\$	\$
Goodwill	-	-	-
Intangible Assets	1,330,285	2,491,721	3,822,006
Carrying amount	1,330,285	2,491,721	3,822,006

(b) Key assumptions

The recoverable amount of each of the Group's cash-generating units was based on fair value less cost to sell calculations covering a five-year period with a terminal value growth rate applied at the end of that period. The following key assumptions have been used for the calculation of each cash-generating unit:

Cashflows

The cash flows for the fair value less cost to sell calculations are based on financial forecasts approved by management covering a five-year period, then a constant growth rate of 0% to 10% (2013: 0% to 10%).

Terminal Growth rates

The terminal growth rate used to extrapolate cash flows beyond the five year forecast period is 2.5% (2013: 2.5%). The growth rate does not exceed the long term growth rate for any of the cash-generating units and is consistent with others in the industry.

Discount rate

In performing the fair value less cost to sell calculations for each cash-generating unit, the Group has applied post tax discount rates of 11.3% (2013: 9.5%). The discount rates used reflects the current market assessment of risks specific to each cash-generating unit, taking into consideration the time value of money and specific circumstances of each cash-generating unit.

(c) Impairment tests for goodwill and intangibles

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment test is performed at each reporting period.

Management do not believe a reasonable possible change in assumptions for any cash-generating unit would cause the units carrying amount to exceed the recoverable amount. The Directors have determined that there are no indications of impairment for any assets held at 30 June 2014.

12. Trade and other payables

	2014	2013
Current Liabilities	\$	\$
Trade payables	529,529	767,803
Expenses accruals	603,283	490,417
Customer deposits	-	25,876
Provision for leave	90,840	255,773
	<u>1,223,652</u>	<u>1,539,869</u>
Non-current Liabilities		
Provision for leave	71,308	-
	<u>71,308</u>	<u>-</u>

13. Borrowings

Current Liabilities	2014 \$	2013 \$
<i>Unsecured</i>		
Interest payable on subordinate debt	21,192	23,446
	<u>21,192</u>	<u>23,446</u>
Non-current Liabilities		
<i>Unsecured</i>		
Subordinate debt	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

The Company entered into a subordinate debt agreement with HSI No. 1 Pty Ltd atf HSI Noteholders Trust on 23rd December 2010 with total borrowing amount of \$1 million for 5 years. The repayment is sub-ordinated to all creditors as approved by the Australian Securities and Investments Commission. Interest is payable quarterly in arrears at a floating rate of RBA cash rate plus 6%. The total interest expense for the year was \$85,623 (2013: \$95,054) of which \$21,192 was payable at 30 June 2014.

14. Contributed equity

	2014 \$	2013 \$
Ordinary shares	12,957,414	10,907,304
Total contributed equity	<u>12,957,414</u>	<u>10,907,304</u>

	2014 Shares	2013 Shares	2014 \$	2013 \$
Ordinary shares				
Opening balance	8,945,997	8,945,997	10,907,304	10,907,304
Share issued	2,025,500	-	2,073,975	-
Capital raising cost	-	-	(23,865)	-
Total ordinary shares	<u>10,971,497</u>	<u>8,945,997</u>	<u>12,957,414</u>	<u>10,907,304</u>

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholder meetings. In the event of the Company winding up, ordinary shareholders are entitled to proceeds in proportion to the number and amounts paid up on shares held.

Capital risk management

The Group's capital structure currently consists of equity and retained earnings. The operating cash flows are used to finance sub ordinate debt. The capital risk management is continuously reviewed as the Group has surplus cash available for investment.

15. Key management personnel disclosures

Summary of key management personnel compensation as disclosed in the remuneration report.

(a) Key management personnel compensations	2014 \$	2013 \$
Short-term employee benefits	1,036,164	931,535
Post-employment benefits	52,268	85,953
Share based payment	-	500,000
	<u>1,229,599</u>	<u>1,517,488</u>

16. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its network firm and non-related audit firms:

	2014 \$	2013 \$
(a) Deloitte Touché Tohmatsu (DTT) Australia		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	166,600	-
<i>(ii) Taxation services</i>		
Taxation compliance services	27,000	-
Total remuneration of DTT audit firms	<u>193,600</u>	<u>-</u>
(b) Non-Deloitte Touché Tohmatsu Audit firms		
<i>(i) Audit and other assurance services</i>		
Audit and review of financial statements	-	170,000
<i>(ii) Taxation services</i>		
Taxation compliance services	-	45,380
Total remuneration of non-PwC audit firms	<u>-</u>	<u>215,380</u>
Total auditors' remuneration	<u>193,600</u>	<u>215,380</u>

17. Contingent assets and liabilities

There were no contingent assets or contingent liabilities at 30 June 2014.

18. Commitments

Lease commitments: Group as lessee

The Group leases office facilities in Sydney and Melbourne under operating leases. The property lease for the Group's registered address at Level 4, 1 Alfred Street Sydney is a non-cancellable lease with a 4 year term, with rent payable monthly. Contingent rental provisions within the lease agreement require minimum lease payments to be increased by 4% per annum. The property lease agreement in Melbourne has expired and the property is currently being leased on a month to month basis, with rent payable monthly in advance.

	2014 \$	2013 \$
Not later than one year	120,846	182,122
Later than one year but not later than five years	191,034	369,476
Aggregate lease expenditure contracted at reporting date	<u>311,880</u>	<u>551,598</u>

19. Related party transactions

(a) Parent entity

The ultimate parent entity is Aurora Funds Limited, which owns 100% of all the controlled entities.

(b) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b). All subsidiaries are incorporated in Australia.

Name of entity	Class of shares	Equity holding	
		2014 %	2013 %
Aurora Funds Management Limited	Ordinary	100.0	100.0
Fortitude Capital Pty Limited	Ordinary	100.0	100.0

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 19.

	2014 \$	2013 \$
<i>(i) Directors' shareholdings</i>		
Directors and director related entities hold directly, indirectly, or beneficially as at 30 June 2014 the following equity interests in the Group:		
Ordinary Shares	4,733,558	5,246,209
	4,733,558	5,246,209

(ii) Directors holdings

Directors' holdings in managed schemes for which Aurora Funds Management Limited and Controlled Entities is responsible entity ("RE"):

As at the date of this report the direct/indirect interests of the Directors of the consolidated entity in the Trusts were as follows:

2014							
Unitholder	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed	Distributions paid/ payable by the Fund
J Corr & associates	252,853	268,463	\$241,644	0.12%	15,525	-	\$14,614
S Lindsay & associates	116,661	145,091	\$130,969	0.08%	28,429	-	\$7,215
S Morgan & associates	19,647	12,432	\$31,825	0.26%	1,785	9,000	\$3,259

2013							
Unitholder	No. of units held opening	No. of units held closing	Fair value of investment	Interest held	No. of units acquired	No. of units disposed	Distributions paid/ payable by the Fund
Richard Matthews	205	-	-	0.00%	-	(205)	-
J Corr & associates	235,853	252,938	\$234,094	0.23%	17,085	-	\$15,052
S Lindsay & associates	7,864	116,661	\$107,970	0.11%	108,797	-	\$3,555
S Morgan & associates	17,877	19,647	\$38,720	0.321%	1,770	-	\$3,149

19. Related party transactions (continued)

(d) Transactions with managed funds

All transactions with the Group and its subsidiary entities as the responsible entities of managed funds have been at market value on normal commercial terms and conditions. In accordance with the Fund's constitution, the Responsible Entity/Trustee received fees of \$4,112,585 (2013: \$3,309,028) for the provision of responsible entity/Trustee and asset management services to the funds.

(e) Investment in managed funds

As at 30 June 2014, the Group did not hold any units in Managed Funds related to the consolidated group.

(f) Related party transactions

During the year ended 30 June 2013, the Group transferred some of its registry business to Registry Direct (formerly known as Shareandfund Pty Ltd), an entity part owned by one of the directors, Ian Steuart Roe and an employee of Aurora Funds Management Limited, Binh Le. As a result, the Group became entitled to a ten per cent equity interest in Registry Direct. The investment in Registry Direct does not have a quoted market price in an active market and its fair value cannot be reliably measured, and has been measured at cost.

(g) Transactions between parent entity and other related parties within the same consolidation group

The ultimate parent entity within the Group is Aurora Funds Limited, which owns 100% of all the controlled entities.

During the year, the transactions with parent entity and the other related entities, which are the subsidiaries of the same parent entity are listed as follows:

	Aurora Funds Management loan to Aurora Funds Limited	Fortitude loan to Aurora Funds Management	Fortitude loan to Aurora Funds Limited
2014			
Beginning of the year	841,508	128,899	925,000
Loan repaid	(841,508)	(128,899)	(925,000)
	-	-	-
2013			
Beginning of the year	1,065,652	128,899	925,000
Loan advanced	-	0	0
Loan repaid	(224,144)	0	0
	841,508	128,899	925,000

The Group has a subordinate debt agreement with Aurora Funds Management Limited, one of the controlled entities, with a total lending amount of \$1 million for 5 years. Interest payment of \$83,369 (2013: \$93,678) was made by Aurora Funds Management Limited during the year.

20. Reconciliation of profit after income tax to net cash flow from operating activities

	2014	2013
	\$	\$
Profit/(loss) from ordinary activities after income tax	866,723	(508,403)
<i>Adjustment of non-cash items from operating activities:</i>		
Depreciation	12,655	32,219
Share base payment	-	500,000
Decrease/(Increase) in deferred income tax	(563,241)	-
<i>Non cash flows in loss/(profit) from ordinary activities:</i>		
Changes in assets and liabilities:		
Decrease/(increase) in receivables	(597,877)	(860,050)
Decrease/(increase) in prepayments	32,472	(16,618)
Increase/(Decrease) in payables	1,271,456	751,406
Net cash flows from operating activities	<u>1,022,188</u>	<u>(101,446)</u>

21. Earnings per share

	2014	2014	2013	2013
	Cents per share	\$	Cents per share	\$
Basic earnings per share attributable to the ordinary equity holders of the Group	<u>7.90</u>	<u>866,723</u>	<u>(5.68)</u>	<u>(508,403)</u>
Total diluted earnings per share attributable to the ordinary equity holders of the Group	<u>7.90</u>	<u>866,723</u>	<u>(5.68)</u>	<u>(508,403)</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>10,971,497</u>		<u>8,945,997</u>	

22. Share based payment

The Group issued an additional 750,000 shares to John Corr, or his associates, on the third anniversary of the acquisition date of Fortitude Capital Pty Limited (12 July 2013). The fair value of these shares on grant date of \$1,500,000 was expensed in the years ended 30 June 2011, 2012 and 2013 on a straight line basis.

23. Parent entity financial information

(a) Summary financial information

The individual financial information statements for the parent entity show the following aggregate amounts:

	2014 \$	2013 \$
Balance Sheet		
Current assets	1,111,015	1,001,920
Total assets	15,576,154	6,162,067
Current liabilities	(10,312,421)	(1,790,569)
Total liabilities	(10,312,421)	1,790,569
Shareholders' equity		
Issued capital	16,014,674	15,014,674
Share-based payments	-	1,500,000
	<u>16,514,674</u>	<u>16,514,674</u>
Profit or loss for the year	<u>33,133</u>	<u>(365,129)</u>
Total comprehensive income	<u>33,133</u>	<u>(365,129)</u>

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

(c) Contractual commitments for operating lease

As at 30 June 2014, the parent entity rental lease commitments for the lease of a Sydney office to 31 December 2016. The contractual commitments totalling \$311,880 (30 June 2013 \$525,408).

24. Events occurring after the reporting period

There has been no matter or circumstances have arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Directors' declaration

In the opinion of the directors of the Group:

- (a) the financial statements and notes set out on pages 17 to 41 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and the *Corporations Regulations 2001*; and other mandatory professional reporting requirements, and
 - (ii) give a true and fair view of the Group's financial position as at 30 June 2014 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Steuart Roe
Managing Director
29 August 2014

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