

# **Aurora Property Buy-Write Income Trust**

**ARSN 125 153 648**

## **Interim financial Report For the half-year ended 31 December 2015**

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# Directors' Report

The Directors of Aurora Funds Management Limited (ABN 69 092 626 885), (the "Responsible Entity") of Aurora Property Buy-Write Income Trust ("the Trust"), present their interim report together with the condensed financial statements of the Trust for the half-year ended 31 December 2015, and the auditor's report thereon.

## Principal activities

The Trust invests in equities and derivatives in accordance with the provision of the Trust Constitution and current Product Disclosure Statement.

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

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

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

## Directors

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

Simon Lindsay

John Corr

Ian Steuart Roe (resigned 7 September 2015)

Betty Poon (appointed 7 September 2015)

Antony Sormann (appointed 25 February 2016)

James Schwarz (appointed 25 February 2016)

## Units on Issue

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

	31 December 2015 \$'000	30 June 2015 \$'000
Units on issue	2,205	2,008

## Review and results of operations

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

The investment policy of the Trust continues to be that detailed in the current Product Disclosure Statement and in accordance with the provisions of the governing documents of the Trust.

## Financial position

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

	31 December 2015 \$	30 June 2015 \$
At reporting period	5.465	5.402
High during period	5.549	5.639
Low during period	5.409	5.309

# Directors' Report (continued)

## Financial results for the half-year

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

	Half-year ended	
	31 December 2015 \$	31 December 2014 \$
Operating profit before finance costs attributable to unitholders	432	582
Distributions paid and payable	455	433
<i>Distributions</i>		
Distribution – (cents per units) - 30 September	10.80	10.78
Distribution – (cents per units) - 31 December	10.82	10.88

## Information on underlying performance

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

## Strategy and future outlook

The Trust is predominately invested in listed equities, with a focus on Australian equity securities. This is expected to continue. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Trust provides regular updates, including monthly NTA announcements, which can be found in the announcement section of the ASX website.

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

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns.

## Significant changes in state of affairs

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

## Matters subsequent to the end of the half-year

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

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

## Indemnity and insurance of Aurora Funds Management Limited

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

# Directors' Report (continued)

## **Indemnity of auditors**

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

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

Fees paid to the Responsible Entity and its associates out of Trust property during the half-year are disclosed in the Condensed Statement of Profit or Loss and Other Comprehensive Income as "Management fees".

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

## **Rounding of amounts to the nearest thousand dollars**

The Trust is an entity of the kind referred to in Class order 98/100 (as amended), issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and condensed financial statements. Amounts in the directors' report and condensed financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

## **Interests in the Trust**

The movement in units on issue in the Trust during the half-year is disclosed in Note 6 of the condensed financial statements.

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

## **Environmental regulation**

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

## **Proceedings on behalf of the Trust**

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

## **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 5 of this financial report.

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

Simon Lindsay  
Managing Director  
29 February 2016

# Financial Statements

## Condensed Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2015

		Half-year ended	
		31 December	31 December
	Notes	2015	2014
		\$'000	\$'000
<b>Investment income</b>			
Interest income		1	16
Dividends and distribution income		306	232
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	268	484
Other operating income		17	-
<b>Total net investment income</b>		<b>592</b>	<b>732</b>
<b>Expenses</b>			
Management fees	11	65	127
Performance fees	11	47	-
Transaction costs		2	23
<b>Total operating expenses</b>		<b>114</b>	<b>150</b>
<b>Operating profit/(loss)</b>		<b>478</b>	<b>582</b>
<b>Finance costs attributable to unitholder</b>			
Distribution to unitholders	7	(455)	(433)
(Increase)/decrease in net assets attributable to unitholders	6	23	(149)
<b>Profit/ (loss) for the half-year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

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

# Financial Statements

## Condensed Statement of Financial Position

as at 31 December 2015

		31 December 2015 \$'000	As at 30 June 2015 \$'000
	Notes		
<b>Assets</b>			
Cash and cash equivalents	8	9	612
Receivables		276	237
Due from brokers – receivables for securities sold		116	-
Financial assets held at fair value through profit or loss	9	12,222	11,237
<b>Total assets</b>		<b>12,623</b>	<b>12,086</b>
<b>Liabilities</b>			
Bank overdraft	8	45	-
Distributions payable		239	221
Due to brokers – payable for securities		-	502
Financial liabilities held at fair value through profit or loss	10	249	334
Other payables		82	104
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>615</b>	<b>1,161</b>
<b>Net assets attributable to unitholders</b>		<b>12,008</b>	<b>10,925</b>
<b>Liabilities attributable to unitholders</b>		<b>(12,008)</b>	<b>(10,925)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>

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

## Condensed Statement of Changes in Equity

for the half-year ended 31 December 2015

	Notes	Half-year ended	
		31 December 2015 \$'000	31 December 2014 \$'000
<b>Balance at the beginning of the period</b>			
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
<b>Total comprehensive income</b>		-	-
Transactions with unitholders in their capacity as unitholders		-	-
<b>Total equity at the end of the period</b>		-	-

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

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



# Financial Statements

## Condensed Statement of Cash Flows

for the half-year ended 31 December 2015

		Half-year ended	
		31 December 2015	31 December 2014
	Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		5,013	6,369
Purchase of financial instruments held at fair value through profit or loss		(6,435)	(10,158)
Transaction costs on purchase of financial instruments at fair value through profit or loss		(2)	(23)
Dividends and distributions received		271	161
Interest received		2	24
Other income		17	-
GST paid		(3)	-
Management fees paid		(134)	(167)
Other operating expenses paid		-	(5)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(1,271)</b>	<b>(3,799)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders	6	1,303	-
Payments for redemptions by unitholders	6	(39)	(31)
Payments for share buy-backs	6	(245)	(428)
Distributions paid to unitholders		(396)	(403)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>623</b>	<b>(862)</b>
Net increase/(decrease) in cash and cash equivalents		(648)	(4,661)
Cash and cash equivalents at the beginning of the period		612	6,076
<b>Cash and cash equivalents at the end of the period</b>	8	<b>(36)</b>	<b>1,415</b>
<b>Non-cash financing activities</b>		<b>41</b>	<b>49</b>

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

# Notes to the Financial Statements

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# Notes to the Financial Statements

## 1. General information

The condensed interim financial statements cover Aurora Dividend Income Trust (Managed Fund) (“the Trust”) as an individual entity. The Trust commenced operations on 8 February 2011 and is domiciled in Australia.

The Responsible Entity of the Trust is Aurora Funds Management Limited (the “Responsible Entity”). The Responsible Entity’s registered office is Level 4, 1 Alfred Street, Sydney, NSW 2000. The condensed interim financial statements are presented in the Australian currency.

It is recommended that these condensed interim financial statements are considered together with the current product disclosure document and in accordance with the provisions of the governing documents of the Trust, and any public announcements made by the Trust during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The principal activities of the Trust during the half-year was establishing its investment strategy in accordance with the provision of the Trust Constitution and the Product Disclosure Statement.

## 2. Summary of significant accounting policies

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

The accounting policies applied by the Trust in this Condensed Interim Financial Report are the same as those applied by the Trust in its Financial Report as at and for the year ended 30 June 2015

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

### Basis of preparation

#### Statement of compliance

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

The interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the annual financial report as at and for the year ended 30 June 2015.

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

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

## 3. Use of estimates and judgements

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

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2015.

# Notes to the Financial Statements

## 4. Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

## 4. Fair value measurement (continued)

### *Recognised fair value measurements*

The following table presents the Trust's assets and liabilities measured and recognised as at the half-year ended 31 December 2015 and 30 June 2015.

	Level 1	Level 2	Level 3	Total
31 December 2015	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	12,222	-	-	12,222
<b>Total financial assets</b>	<b>12,222</b>	<b>-</b>	<b>-</b>	<b>12,222</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Listed equity securities sold short	-	249	-	249
<b>Total financial liabilities</b>	<b>-</b>	<b>249</b>	<b>-</b>	<b>249</b>

	Level 1	Level 2	Level 3	Total
30 June 2015	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	11,152	-	-	11,152
Financial assets held for trading:				
Derivatives	-	85	-	85
<b>Total financial assets</b>	<b>11,152</b>	<b>85</b>	<b>-</b>	<b>11,237</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	-	334	-	334
<b>Total financial liabilities</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>334</b>

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

### *Transfers between levels*

There have been no transfers between levels for the half-year ended 31 December 2015 and 30 June 2015.

# Notes to the Financial Statements

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

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

	Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000
Net realised gain on financial assets and liabilities at fair value through profit or loss	238	662
Net unrealised gain on financial assets and liabilities at fair value through profit or loss	30	(178)
Total net gain on financial instruments held at fair value through	268	484

## 6. Net assets attributable to unitholders

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

	31 December 2015 No. '000	30 June 2015 No. '000	31 December 2015 \$'000	30 June 2015 \$'000
<b>Opening balance – excluding treasury units</b>	<b>2,008</b>	2,193		
Applications	241	5		
Redemptions	(7)	(125)		
Units issued upon reinvestment of distributions	7	17		
Buybacks	(45)	(82)		
<b>Closing balance – excluding treasury units</b>	<b>2,204</b>	2,008		
<b>Opening balance – treasury units</b>	<b>-</b>	208		
Applications	-	67		
Redemptions	-	(5)		
Cancellation of treasury units	-	(270)		
<b>Closing balance – treasury units</b>	<b>-</b>	-		
<b>Opening balance – including treasury units</b>	<b>2,008</b>	2,401	<b>10,925</b>	11,800
Applications	241	72	<b>1,303</b>	28
Redemptions	7	(130)	<b>(39)</b>	(682)
Units issued upon reinvestment of distributions	(7)	17	<b>41</b>	94
Buybacks	(45)	(82)	<b>(245)</b>	(446)
Cancellation of treasury units	-	(270)	-	-
Increase in net assets attributable to unitholders	-	-	<b>23</b>	131
<b>Closing balance – including treasury units</b>	<b>2,204</b>	<b>2,008</b>	<b>12,008</b>	<b>10,925</b>

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

# Notes to the Financial Statements

## 7. Distributions to unitholders

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

	Half-year ended			
	31 December 2015	31 December 2015	31 December 2014	31 December 2014
	\$'000	cpu	\$'000	cpu
Distributions paid	216	10.80	233	10.78
Distributions payable	239	10.82	200	10.88
<b>Total distributions – quoted units</b>	<b>455</b>	<b>21.62</b>	<b>433</b>	<b>21.66</b>

## 8. Cash and cash equivalents

	Notes	31 December 2015	As at 30 June 2015
		\$'000	\$'000
Cash at bank		9	612
Bank overdraft		(45)	-
<b>Total cash and cash equivalents</b>		<b>(36)</b>	<b>612</b>

## 9. Financial assets held at fair value through profit or loss

	31 December 2015	As at 30 June 2015
	\$'000	\$'000
<b>Listed at fair value through profit or loss</b>		
Australian listed equity securities	12,222	11,152
<b>Held for trading</b>		
Derivatives	-	85
<b>Total financial assets</b>	<b>12,222</b>	<b>11,237</b>

## 10. Financial liabilities held at fair value through profit or loss

	31 December 2015	As at 30 June 2015
	\$'000	\$'000
<b>Held for trading</b>		
Listed equity options	249	334
<b>Total financial liabilities</b>	<b>249</b>	<b>334</b>

# Notes to the Financial Statements

## 11. Related party transactions

### Responsible Entity

The Responsible Entity of Aurora Property Buy-Write Income Trust is Aurora Funds Management Limited.

### Key management personnel unitholdings

No key management personnel of Aurora Property Buy-Write Income Trust held units in the Trust.

### Key management personnel compensation

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

### Related party unitholdings

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

### Other transactions within the Trust

During the financial year ended 30 June 2013, the Trust transferred the unit registry functions to Registry Direct which is part owned by one of the former Directors of the Responsible Entity, Steuart Roe. The transactions between Registry Direct and the Responsible Entity are detailed below:

	Half-year ended	
	31 December 2015	31 December 2014
	\$	\$
Fees paid to Registry Direct by the Responsible Entity on behalf of the Trust	14,729	12,218

There was no compensation paid directly by the Trust to the Responsible Entity for unit registry services.

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

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

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

- (i) management fee payable to the Responsible Entity is:
  - 1.03% (GST inclusive, net of RITC) per annum from 1 September 2015;
  - 1.33% (GST inclusive, net of RITC) per annum from 1 July 2015 to 31 August 2015.
- (ii) Performance fee of 10.25% (GST inclusive, net of RITC) per annum is applied to the total excess between the Total Unit Holder Return (TUR) and:
  - the RBA Cash Rate plus 1%, daily from 1 September 2015;
  - the UBS Bank Bill Index, daily from 1 July 2015 to 31 August 2015;

Performance fees are payable half-yearly.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register were reimbursed in accordance with the Trust Constitution from 1 July 2015 to 31 August 2015. From 1 September 2015, no expenses were reimbursed.



# Notes to the Financial Statements

## 11. Related party transactions (continued)

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

	Half-year ended	
	31 December 2015 \$'000	31 December 2014 \$'000
Management fees for the half-year paid/payable by the Trust to the Responsible Entity	65	64
Performance fees for the half-year paid/payable by the Trust to the Responsible Entity	47	57

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

## 12. Contingent assets and liabilities

There were no contingent assets and liabilities at 31 December 2015 (30 June 2015: Nil).

## 13. Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the Condensed Statement of Financial Position as at 31 December 2015 or on the results and cash flows of the Trust for the half-year ended on that date.

# Directors' Declaration

The directors of the Responsible Entity declare that:

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

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

Simon Lindsay  
Managing Director  
29 February 2016