

# Appendix 4E

## Preliminary Final Report To the Australian Securities Exchange

<b>Name of Entity</b>	HHY Fund
<b>ARSN:</b>	112 579 129
<b>Financial Year Ended:</b>	30 June 2016
<b>Previous Corresponding Reporting Period:</b>	30 June 2015

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	<b>2016 \$'000</b>	<b>Percentage increase /(decrease) over corresponding period</b>
Revenues from continuing operations	2,142	+119.6%
Profit for the year	1,668	+114.3%
Net profit for the year attributable to members	1,668	+114.3%

#### Distribution Information

2016 final distribution	Nil
2016 interim distribution	Nil

#### Final distribution dates

Ex-entitlement date	n/a
Record date	n/a
Last election date for the DRP	n/a
Payment date	n/a

<b>Net Tangible Asset Backing</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Net tangible assets per security	\$0.1289	\$0.1100

*This report is based on the Annual Report which is in the process of being audited. All documents comprise the information required by Listing Rule 4.3A*

**Appendix 4E Contents and checklist of requirements**

<b>1. Reporting period and corresponding period.</b>	Refer to Page 1 of this Appendix 4E.
<b>2. Results for announcement to the market.</b>	Refer to Page 1 of this Appendix 4E.
<b>3. Consolidated statement of comprehensive income.</b>	Refer to Page 3 of this Appendix 4E.
<b>4. Consolidated statement of financial position.</b>	Refer to Page 4 of this Appendix 4E
<b>5. Consolidated statement of cash flows.</b>	Refer to Page 6 of this Appendix 4E
<b>6. Consolidated statement of changes in equity.</b>	Refer to Pages 5 and 9 of this Appendix 4E
<b>7. Details of dividends or distributions.</b>	Refer to Page 1 of this Appendix 4E.
<b>8. Details of dividend or distribution reinvestment plans in operation and the last date of receipt of an election notice for participation in any dividend or distribution reinvestment plan.</b>	Refer to Page 1 of this Appendix 4E.
<b>9. Net tangible assets per security.</b>	Refer to Page 1 of this Appendix 4E.
<b>10. Details of entities over which control has been gained or lost during the period.</b>	Not applicable.
<b>11. Details of joint venture entities and associated entities.</b>	Not applicable.
<b>12. Any other information needed by an investor to make an informed assessment of the entity's financial performance and financial position.</b>	Refer to Pages 7-8 of this Appendix 4E.
<b>13. Accounting standards used in compiling reports by foreign entities.</b>	Not applicable.
<b>14. A commentary on the results for the period.</b>	Refer to Page 7 of this Appendix 4E.
<b>15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.</b>	Refer to Page 1 of this Appendix 4E. This report is based on accounts which are in the process of being audited.
<b>16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification a description of the likely dispute or qualification.</b>	At this stage it is likely the audit report will be unqualified.
<b>17. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.</b>	Not applicable.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Investment income</b>			
Interest income		74	1,093
Dividends and distribution income		313	-
Net gains/(losses) on cash and cash equivalents		-	(93)
Net gains/(losses) on financial instruments held at fair value through profit or loss		1,689	(11,950)
Other operating income		66	-
<b>Total net investment income</b>		<b>2,142</b>	<b>(10,950)</b>
<b>Expenses</b>			
Responsible Entity and Management fees		176	114
Audit and tax fees		17	41
Other operating expense		281	402
<b>Total operating expenses</b>		<b>474</b>	<b>557</b>
<b>Operating profit before income tax</b>		<b>1,668</b>	<b>(11,507)</b>
<b>Income tax expense</b>		<b>-</b>	<b>150</b>
<b>Operating profit after income tax</b>		<b>1,668</b>	<b>(11,657)</b>
<b>Finance costs attributable to unitholder</b>			
Distribution to unitholders		-	(26,600)
(Increase)/decrease in net assets attributable to unitholders		(1,668)	38,257
<b>Profit/ (loss) for the year</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>			
Movement in foreign currency translation reserve		-	(68)
<b>Total other comprehensive income</b>		<b>-</b>	<b>(68)</b>
Other comprehensive income		-	68
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

## Consolidated Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Assets</b>			
Cash and cash equivalents		2,503	11,611
Receivables		494	5
Due from brokers – receivables for securities sold		-	-
Financial assets held at fair value through profit or loss		9,822	-
<b>Total assets</b>		<b>12,819</b>	<b>11,616</b>
<b>Liabilities</b>			
Due to brokers – payable for securities		39	-
Current tax liabilities		-	158
Other payables		11	138
Financial liabilities held at fair value through profit or loss		556	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>606</b>	<b>296</b>
<b>Net assets attributable to unitholders</b>		<b>12,213</b>	<b>11,320</b>
<b>Liabilities attributable to unitholders</b>		<b>(12,213)</b>	<b>(11,320)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>

**Consolidated Statement of Changes in Equity**  
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Balance at the beginning of the financial year</b>			
Profit/(loss) for the 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 financial year</b>		-	-

**Consolidated Statement of Cash Flows**  
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		6,344	-
Purchase of financial instruments held at fair value through profit or loss		(15,729)	
Transaction costs on purchase of financial instruments at fair value through profit or loss		1,768	-
Dividends and distributions received		(298)	-
Interest received		(141)	1,247
Income tax paid/(refunded)			(5)
GST recovered/(paid)			-
Management fees paid			-
Other operating expenses paid		(288)	(552)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(8,344)</b>	<b>690</b>
<b>Cash flows from investing activities</b>			
Proceeds from unlisted loan security repayments		0	21,330
Proceeds from sale of unlisted securities		0	6,438
Proceeds from settlement of derivative contracts		0	11
<b>Net cash inflow/(outflow) from investing activities</b>		<b>0</b>	<b>27,779</b>
<b>Cash flows from financing activities</b>			
Distributions paid		0	(26,600)
Buy-backs		(764)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(764)</b>	<b>(26,600)</b>
Net increase/(decrease) in cash and cash equivalents		(9,108)	1,869
Cash and cash equivalents at the beginning of the year		11,611	9,790
Effects of exchange rate changes on cash and cash equivalents			(48)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>2,503</b>	<b>11,611</b>
<b>Non-cash financing activities</b>		-	-

## 1. Principal activities

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

On 30 June 2015, Aurora Funds Management was appointed as Responsible Entity of the Trust.

In July 2015, the Responsible Entity completed a strategic review of the Trusts investment strategy.

In August 2015, the Responsible Entity enhance the investment strategy of the Trust to include the ability to invest in listed Australian and international equities, unlisted Australian and international securities, options, convertible securities, other derivative securities as well as allowing the Trust to short sell and use borrowings.

The Trust did not have any employees during the year.

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

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

## 2. Review and results of operations

During the 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.

## 3. Financial position

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

	30 Jun 2016 \$	30 Jun 2015 \$
At 30 June	0.129	0.110
High during period	0.129	0.260
Low during period	0.109	0.110

## 4. Financial results for the year

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

	2016 \$'000	2015 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	1,668	(11,657)
Distributions paid and payable	-	26,600
Special Distribution – 31 July	-	25.80
Distribution - quarter ended 30 September	-	-
Distribution - quarter ended 31 December	-	-
Distribution - quarter ended 31 March	-	-
Distribution - quarter ended 30 June	-	-

## 5. Information on underlying performance

The performance of the Trust is subject to the performance of the Trust's underlying portfolio. During the year, the investment strategy of the Trust was enhanced to include the ability to invest in listed Australian and international equities, unlisted Australian and international securities, options, convertible securities, other derivative securities as well as allowing the Trust to short sell and use borrowings. 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.

## **6. Strategy and future outlook**

The Trust is predominately invested in listed equities, providing unitholders with exposure to high yield securities in the form of loans and hybrid securities, listed Australian and international equities, convertible securities and other derivative 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.

The Fund's investment portfolio at 30 June 2016 totaled \$9,265,408. The majority of investments are small shareholdings in companies listed on the ASX, with two significant investments being:

- Copper Strike Limited of 7.4 million shares valued at \$3.4 million, which represents 28.0% of the Fund; and
- NAOS Absolute Opportunities Company Limited of 2.6 million shares valued at \$2.6 million, which represents 21.2% of the Fund.

Subsequent to 30 June 2016:

- The share price for Copper Strike Limited has fallen from \$0.46 at 30 June 2016 to \$0.33 at 29 August 2016, a decline of 28.3%;
- The share price for NAOS Absolute Opportunities Company Limited has increased from \$1.00 at 30 June 2016 to \$1.05 at 29 August 2016, an increase of 5.0%.

## **7. Significant changes in state of affairs**

On 30 June 2016, Seventh Orion Pty Ltd as trustee for the Aurora Investments Unit Trust (Seventh Orion) acquired 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity of HHY Fund.

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

## **8. Matters subsequent to the end of the financial year**

On 23 August 2016, the Responsible Entity issued a Notice of Meeting to be held on 29 September 2016. Three resolutions, (1) Removal of current Responsible Entity; (2) Appointment of new Responsible Entity; and (3) Winding up of the Fund, are to be voted on.

## **9. Summary of significant accounting policies**

These consolidated financial statements cover HHY Fund ("the Trust") as an individual entity. The Trust commenced operations on 19 January 2005, and is domiciled in Australia.

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

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* in Australia. HHY Fund is a for-profit unit trust for the purpose of preparing the consolidated financial statements.

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



The Consolidated Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

*Compliance with International Financial Reporting Standards*

The consolidated financial statements of the Trust also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## 10. Net assets attributable to unitholders

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

	2016 No. '000	2015 No. '000	2016 \$'000	2015 \$'000
<b>Opening balance</b>	<b>103,070</b>	103,070	<b>11,320</b>	49,577
Buybacks	(7,662)	-	(775)	-
Distributions to unitholders	-	-	-	(26,600)
Increase in net assets attributable to unitholders	-	-	<b>1,668</b>	11,657
<b>Closing balance - including treasury units</b>	<b>95,408</b>	<b>103,070</b>	<b>12,213</b>	<b>11,320</b>

## 11. Distributions to unitholders

The distributions for the year were as follows:

	2016 \$'000	cpu	2015 \$'000	cpu
Distributions paid	-	-	26,600	25.8
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>26,600</b>	<b>25.8</b>

## Details of entities over which control has been gained or lost

n/a

## Details of associates and joint venture entities

n/a