AURORA INVESTMENT TRUST plc

HALF YEARLY FINANCIAL REPORT

For the six months ended

31 August 2011

Investment Policy

The policy of the Company is to achieve capital appreciation through investments listed mainly on the London Stock Exchange, predominantly comprising equities but allowing exposure to fixed interest and equity related securities. A distinctive feature is an emphasis on investments in companies with exposure to economies growing at a faster rate than the UK.

CHAIRMAN'S STATEMENT

This is my first report as the newly-appointed Chairman of Aurora Investment Trust and my first formal opportunity to communicate with the trust's shareholders, albeit against a background of major global uncertainty and volatile equity markets.

The half year returns were:

	31/08/11	28/02/11	Change	At 31/08/10
Net Asset Value per share	220.72p	269.24p	–18.0%	224.69p
Share price	177.00p	246.00p	–28.0%	192.50p
Discount	19.8%	8.6%	–11.2%	14.3%
Benchmark (FT All-Share)	2,800.5	3,106.6	–9.9%	2,696.7
Gearing (net)	18.2%	12.8%	+5.4%	15.6%

Review of the period

After more than two years of very strong absolute and relative performance the period under review has witnessed a degree of retrenchment as many of the investment themes that contributed to the prior excellent performance have been hurt by a weakening of investor confidence. Thus, over the six months the trust's assets have declined by 18% (benchmark 10%) and the discount has widened to levels similar to those in 2009 and early 2010. General investor sentiment has become highly cautious with an emphasis on stocks perceived to possess defensive characteristics, in preference to those with strong growth prospects – Aurora's given investment territory.

Although global GDP growth, at the time of writing is forecast to exceed some 4% in 2011, prospects around the world have been looking less robust than earlier in the year. US economic performance has been weaker than expected with growth now projected at an anaemic 1.5%+ for 2011. Even worse is the picture for European economies where business confidence has been sapped in recent months, not only by two interest rate rises (soon likely to be reversed) but, more significantly, the gradual realisation of the horrendous costs of the Greek (not to mention other eurozone countries') debt crisis resulting from the economic problem caused by the euro itself. Little or no growth is now the most likely outcome. In addition, the post-tsunami economic performances in Japan and other developed countries are in aggregate disappointing. Of the few bright spots, however, remain China and India but, in both cases, their policy makers are countering rising inflationary pressures by tightening of monetary conditions, which has slowed both these two economies, albeit that the next trend should be positive.

Investor sentiment changed most markedly at the time of the long drawn-out debate between the two US political parties over raising, yet again, the ceiling on the level of permissible US debt. This was an issue which really brought home, not only to US citizens, but also to the rest of the world, the parlous state of the finances of the US government and the over-indebtedness of the nation. The lengthy period of time spent haggling brought about a sharp drop in consumer confidence at a time of lacklustre employment growth.

Following the resolution of the matter, the focus of attention has since swiftly changed to the fragile state of the Eurozone economies and in particular of Greece, on account of the imminence of its inability to remunerate its public servants, with contagion spreading to Italy, Spain and Portugal, as a result of the economic imbalances between North and South Europe emanating from the premature enlargement of the Eurozone.

Whereas many far-sighted economists viewed the introduction of such a large Eurozone, incorporating disparate countries, as a most irresponsible act destined to fail, few had projected their thoughts to the immense cost of its possible breakup – now an impending probability. Greece may only account for 3% of the total Eurozone GDP, but the restructuring of its debt will necessitate a major recapitalisation of many European and other banks with significant Greek exposure. It is difficult to see how the Southern European economies can pick up without significant currency devaluation.

In the light of all this, and notwithstanding the strength of corporate balance sheets, markets have settled into a pattern of lower trading ranges.

Prospects

Since the end of August global markets have been extremely volatile as the ebb and flow of the Greek and wider European economies' debt crises have dominated and depressed sentiment. It would appear at the time of writing that any long-term resolution is unlikely to happen in the near future. An extended and unpredictable period of volatile trading conditions can, therefore, be expected before there is a return to normality in the UK and other stock-markets. However, with global GDP growth still forecast to remain at levels of some 3% for 2012, there should be many opportunities to invest in quality growth companies at cheap valuations.

The portfolio has been structured to a great extent, and hence its success in the previous two years, to curtail exposure to both the UK domestic and Eurozone economies, in view of the strong probability of minimal growth or recessionary economic conditions. It is heavily exposed to the faster growing regions of the world, and particularly Asia. But in the rush/panic by investors to raise liquidity in recent months these assets have received harsh treatment, regardless of their superior growth prospects. It is, however, likely that Asian markets will, in a repetition of the events of 2008/9, recover before their Western counterparts and to a greater extent.

So far corporate profitability generally, with almost the sole exception of consumer areas, has been robust against the deteriorating consumer and economic background. Should this continue to hold up, a heightened level of M&A is likely at these current depressed market levels.

Inevitably panicking stock-markets have damaged the portfolio's assets in the short-term, but I do believe shareholders should be well rewarded by any return to more normal conditions when current levels of risk aversion abate.

Finally, I would like to thank the departing Board members for all their support and, in particular, to Alex Hammond-Chambers who served as chairman of this trust for nine years.

Lord Flight
Chairman
27 October 2011

MANAGER'S STATEMENT

By common consent the period under review is likely to go down in the annals of history as being one of the most difficult times to have been managing equity investments for many decades. At a time when both the USA and European economies appeared to be slowly crawling from the mire of the financial crisis of 2008, disaster struck. This time the blame can firmly be attributed to the politicians on both continents who failed to show strong leadership to avoid further crises.

The outcome was a severe underperformance of the benchmark in part on account of the Company's fairly substantial level of gearing at a time of a sharp downturn in markets and in part as risk aversion towards smaller capitalisation stocks, with relatively attractive growth characteristics, became acute.

To address the problem the level of borrowing has been significantly reduced but the investment themes have not been changed. Appreciating the dangers of the creation, with so little prior economic harmonisation, of such a large Eurozone constituted of disparate economies, the Company has invested in other regions in companies with superior growth prospects.

The Manager remains unswerving in the conviction that these themes, particularly the hard and soft commodity super-cycle, will produce substantial rewards for shareholders in due course when investor sentiment recovers, once politicians in Europe have had the courage to grasp the nettle to ease the Euro debt crisis and when inflation is seen to have abated in Asia.

ATTRIBUTION OF NET ASSET VALUE RETURNS

	£'000	£'000		Pence per share
Revenue income	665			5.63
Trading losses	(177)			(1.50)
Expenses, costs and tax	(477)			(4.04)
Dividend paid	(404)			(3.42)
Purchase of own shares	(3,567)			1.5
Capital losses	(5,414)			(46.69)
Of which:				
Change in market		*(3,711)*	*(31.40)*	
Net gearing		*(187)*	*(1.58)*	
Stock selection		*(1,516)*	*(13.71)*	
		(5,414)	(46.69)	
Total	(9,374)			(48.52)

MJ Barstow
Mars Asset Management Limited
27 October 2011

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HALF YEARLY REPORT

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting"; and

- The interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FSA's Disclosure and Transparency Rules.

The half yearly financial report was approved by the Board on 27 October 2011 and the above responsibility statement was signed on its behalf by:

Lord Flight
Chairman
27 October 2011

SECTOR BREAKDOWN

versus FTSE All-Share Index
As at 31 August 2011

SECTOR	*AURORA* %	*FTSE All-Share* %
Oil & Gas	15.7	15.8
Industrials	10.4	7.2
Consumer Goods	7.8	11.5
Health care	8.8	8.0
Consumer Services	2.6	9.9
Telecommunications	6.0	6.3
Information Technology	1.0	1.7
Financials	13.6	24.0
Resources (Mining)	31.1	11.6
Transport	1.0	4.0
	98.0	**100.0**
Fixed Interest Securities	2.0	–
	100.0	**100.0**

TOP TEN HOLDINGS

Consolidated portfolio
As at 31 August 2011

Stock *All holdings shown are of ordinary shares, unless shown otherwise*	*Description*	*Valuation £'000*	*% of Portfolio*
BTG	Health Care	2,339	7.79
Prosperity Minerals*	Mining	1,992	6.64
GCM Resources*	Mining	1,906	6.35
Antofagasta Holding	Mining	1,887	6.29
West China Cement	Building	1,823	6.08
Asian Citrus	Food & Drink	1,817	6.05
Rio Tinto	Mining	1,520	5.07
Royal Dutch Petroleum 'B'	Oil Integrated	1,455	4.85
Standard Chartered	Banks, retail	1,180	3.93
Emblaze Systems	Telecommunications	1,080	3.60
Total top ten holdings		16,999	56.65
Other investments		13,007	43.35
Total consolidated portfolio		**30,006**	**100.00**

*includes holding in AIT Trading Limited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months to 31 Aug. 2011 (unaudited) Revenue £'000	6 months to 31 Aug. 2011 (unaudited) Capital £'000	6 months to 31 Aug. 2011 (unaudited) Total £'000	*6 months to 31 Aug. 2010 (unaudited) Revenue £'000*	*6 months to 31 Aug. 2010 (unaudited) Capital £'000*	*6 months to 31 Aug. 2010 (unaudited) Total £'000*
Gains and losses on investments							
Gains/(losses) on fair value through profit or loss investments		(177)	(5,414)	(5,591)	*(210)*	*4,786*	*4,576*
Income							
Investment income		665	–	665	*414*	–	*414*
Other operating income		–	–	–	–	–	–
		665	–	665	*414*	–	*414*
Expenses							
Investment management fees		(70)	(70)	(140)	*(60)*	*(60)*	*(120)*
Other expenses		(183)	–	(183)	*(92)*	–	*(92)*
		(253)	(70)	(323)	*(152)*	*(60)*	*(212)*
Profit/(loss) before finance costs and tax		**235**	**(5,484)**	**(5,249)**	***52***	***4,726***	***4,778***
Finance costs		(75)	(75)	(150)	*(21)*	*(21)*	*(42)*
Profit/(loss) before tax		**160**	**(5,559)**	**(5,399)**	***31***	***4,705***	***4,736***
Tax paid/recovered		(4)	–	(4)	*7*	–	*7*
Profit/(loss) and total comprehensive income for the period		**156**	**(5,559)**	**(5,403)**	***38***	***4,705***	***4,743***
Earnings per share	5	1.32p	(47.04p)	(45.72p)	*0.29p*	*36.33p*	*36.62p*

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. All income is attributable to the equity holders of the parent company. There are no minority interests.

In the annual report there are lines disclosing trading subsidiary gains and losses.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Six months ended 31 August 2011 (unaudited) £'000	*Six months ended 31 August 2010 (unaudited) £'000*	*Year ended 28 February 2011 (audited) £'000*
Opening balance		34,872	*24,806*	*24,806*
Total comprehensive income for the financial period/year		(5,403)	*4,743*	*10,513*
Purchase of own shares		(3,567)	*–*	*–*
Dividends paid or legally committed to be paid on ordinary shares	6	(404)	*(447)*	*(447)*
Closing balance		25,498	*29,102*	*34,872*

CONSOLIDATED BALANCE SHEET

	At 31 August 2011 (unaudited) £'000	*At 31 August 2010 (unaudited) £'000*	*At 28 February 2011 (audited) £'000*
Non-current assets			
Investments – designated at fair value through profit or loss	27,943	*31,572*	*37,675*
Current assets			
Investments held for trading	2,063	*2,031*	*2,420*
Other receivables	240	*181*	*68*
Cash and cash equivalents	618	*171*	*1,431*
	2,921	*2,383*	*3,919*
Current liabilities			
Purchases for future settlements	–	–	*(741)*
Bank loan/overdraft	(5,250)	*(4,698)*	*(5,876)*
Other payables	(116)	*(155)*	*(105)*
	(5,366)	*(4,853)*	*(6,722)*
Total assets less current liabilities	**25,498**	***29,102***	***34,872***
Equity attributable to equity holders			
Share capital	3,598	*3,598*	*3,598*
Share premium account	10,997	*10,997*	*10,997*
Capital reserves	11,637	*14,829*	*20,763*
Revenue reserve	(734)	*(322)*	*(486)*
Total equity	**25,498**	***29,102***	***34,872***
Net asset value per ordinary share	220.72p	*224.69p*	*269.24p*
No. of ordinary shares in issue (excluding shares held in Treasury)	11,552,250	*12,952,250*	*12,952,250*
No. of ordinary shares held in Treasury	2,839,139	*1,439,139*	*1,439,139*

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 August 2011

	2011 (unaudited) £'000	*2010 (unaudited) £'000*
Cash flows from operating activities		
Cash inflow from disposal of non-current operating assets	11,023	*5,876*
Cash outflow from purchase of non-current operating assets	(7,446)	*(2,953)*
Cash inflow from revenue income	559	*362*
Cash inflow/(outflow) from trading current asset investments	180	*(2,241)*
Cash outflow from expenses	(354)	*(232)*
Tax (paid)/recovered	(4)	*7*
Net cash flow from operating activities	**3,958**	***819***
Financing		
Purchase of own shares	(3,567)	*–*
Equity dividends paid	(404)	*(447)*
Interest and finance charges paid	(174)	*(42)*
Decrease in bank borrowings	(626)	*(260)*
Net cash flow from financing activities	(4,771)	*(749)*
Net (decrease)/increase in cash and cash equivalents	**(813)**	***70***
Cash and cash equivalents at beginning of period	1,431	*101*
(Decrease)/increase in cash	(813)	*70*
Cash and cash equivalents at end of period	**618**	***171***

NOTES

1. STATUS OF THE FINANCIAL STATEMENTS

These financial statements are not the Group's statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 31 August 2011 and 31 August 2010 has not been audited.

The information for the year ended 28 February 2011 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 28 February 2011 have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498(2) or (3) of the Companies Act 2006.

The directors approved the half-yearly report on 27 October 2011. This report is being sent to shareholders and copies will be made available to the public at the registered office of the Group. The report will be available in electronic format on the Manager's website www.marsassetmanagement.co.uk

2. ACCOUNTING POLICIES

The half-yearly financial information has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards. The accounting policies are unchanged from those used in the last annual financial statements except where otherwise stated.

3. BOARD CHANGES

Mr Hammond-Chambers and Mr Robinson did not stand for re-election at the Annual General Meeting (AGM) on 18 July 2011 and left the Board at the conclusion of that meeting. In view of the need to select a new Chairman, Mr Hammond-Chambers stood aside from the process of recruiting new directors, which was led by the independent directors, Mr Martin and Mr Robinson, forming an ad hoc nominations committee. The Lord Flight and The Honourable James Nelson were invited to join the Board, accepted those invitations and became directors immediately after the AGM. The Board then appointed Lord Flight as the new Chairman.

4. PURCHASE OF OWN SHARES

The Company purchased 1,400,000 of its own shares during the period ended 31 August 2011. A total of 2,839,139 shares are being held in Treasury and are available for re-sale.

5. EARNINGS PER SHARE

Returns for the period ended on 31 August 2011 are stated by reference to the weighted average of 11,818,554 shares in issue during the period, excluding shares held in Treasury *(2010: 12,952,250 shares in issue, excluding shares held in Treasury).*

NOTES
continued

6. DIVIDENDS

In accordance with the stated policy of the Group, the directors do not recommend an interim dividend.

The final dividend in respect of the year ending on 28 February 2011 was declared by the Annual General Meeting on 18 July 2011 and was paid on 25 July 2011. This dividend was not reflected in the financial statements for the year ended 28 February 2011, but is reflected in the financial statements for the half year ended 31 August 2011.

7. RELATED PARTY TRANSACTIONS

Fees payable to the Manager are shown in the Consolidated Income Statement. £27,926 (incl. VAT) was payable to the Administrator in respect of the period. Fees were accrued of £19,032 to the Manager and £3,806 (incl. VAT) to the Administrator at 31 August 2011.

DIRECTORS AND ADVISERS

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Lord Flight (Chairman)
MJ Barstow FCA
The Honourable James Nelson
RM Martin

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