

ALTERNATIVE INVESTMENT TRUST-APPENDIX 4D

Half Year Report

For the period ended 30 June 2011

1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

Current Reporting Period:	6 months to 30 June 2011
Previous Corresponding Period:	6 months to 30 June 2010

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

		2011 A\$ '000		2010 A\$ '000		
2.1	Investment income /(loss)	down	80%	to	2,463	12,333
2.2	Change in net assets attributable to unitholders *	down	91%	to	827	9,367
2.3	Profit /(loss) attributable to unitholders *	down	93%	to	729	10,129

\* Excludes loss attributable to minority interest

		Amount per security		Tax deferred	
2.4	Distributions				
	Final Distribution	-	-	-	-
	Interim Distribution	-	-	-	-

2.5 Record date for determining entitlements to the final 2011 distribution - 30 June 2011

No distribution was declared or paid for the half-year ended 30 June 2011.

3 NET TANGIBLE ASSETS PER SECURITY

NTA per security as at 30 June 2011 (Ex distribution)	\$	0.98	**
NTA per security as at 30 June 2010 (Ex distribution)	\$	1.52	**

\*\* Excludes NTA attributable to minority interests

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# **Alternative Investment Trust**

ARSN 112 129 218

Interim financial report for the half-year ended 30 June 2011

**Alternative Investment Trust**  
**Interim Financial Report**  
**For the Half-Year Ended 30 June 2011**

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**Alternative Investment Trust**  
**Interim Financial Report**  
**For the Half-Year Ended 30 June 2011**

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**DIRECTORS' REPORT**

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of the Alternative Investment Trust (AIT), present their report together with the consolidated financial report of AIT and its controlled entities (the Consolidated Entity) for the half-year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

**RESPONSIBLE ENTITY**

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (ABN 45 003 278 831; AFSL 235150). The registered office and principal place of business of the Responsible Entity is Level 15, 20 Bond Street, Sydney, NSW 2000.

**INVESTMENT MANAGER**

Laxey Partners (UK) Ltd (Laxey) is the Investment Manager of AIT.

**PRINCIPAL ACTIVITIES**

AIT is a registered managed investment scheme domiciled in Australia. AIT has exposure to a portfolio of leading absolute return funds via a swap agreement with Macquarie Bank Limited ("the Swap") and a single investment held outside the Swap, a 73% (2010: 73%) holding in the EBI Income Fund (EBIIF).

The leverage facility was re-paid in full during the 2010 financial year. As a result AIT is able to make distributions from indirect assets which are assets held within the Swap that are sold or redeemed.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

AIT is currently in a process of asset realisation. During the half-year ended 30 June 2011, the Responsible Entity made a return of capital of \$49.7 million (2010: nil). To date, a return of capital of \$111.2 million (2010: \$61.5 million) has been distributed to the unitholders.

**Alternative Investment Trust**  
**Interim Financial Report**  
**For the Half-Year Ended 30 June 2011**

**DIRECTORS' REPORT (continued)**

**REVIEW AND RESULTS OF OPERATIONS**

During the half-year, the Consolidated Entity continued to engage in its principal activities, the results of which are disclosed in the attached half-year financial statements.

The results of the Consolidated Entity, as represented by the results of its operations, were as follows:

	<b>Consolidated Half-Year ended</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Net Profit for the half-year	827	9,367

**VALUE OF ASSETS AND UNITS ISSUED**

The total value of the Consolidated Entity's assets at 30 June 2011 is \$134,531,000 (31 December 2010: \$184,511,000). The total number of units issued as at 30 June 2011 is 130,692,470 (31 December 2010: 130,692,470).

**DIRECTORS AND OFFICERS**

The Directors and officers of the Responsible Entity, The Trust Company (RE Services) Limited, are:

<b>Name</b>	<b>Title</b>
John Atkin	Executive Director
Vicki Allen	Executive Director (resigned 18 March 2011)
David Grbin	Executive Director
Michael Britton	Executive Director
Andrew Cannane	Executive Director (appointed 31 March 2011)
Adrian Lucchese	Joint Company Secretary (resigned 28 January 2011)
Alex Carrodus	Joint Company Secretary (appointed 28 January 2011)
Sally Ascroft	Joint Company Secretary

Sally Ascroft was appointed as an Alternate Director for Michael Britton for the period from 31 March 2011 to 24 June 2011.

**Alternative Investment Trust**  
**Interim Financial Report**  
**For the Half-Year Ended 30 June 2011**

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**DIRECTORS' REPORT (continued)**

**MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR**

Other than the events disclosed in Note 11, there have been no matters or circumstances which have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

- (i) the operations of the Consolidated Entity in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Consolidated Entity in future financial periods.

**ROUNDING**

The Consolidated Entity is an entity of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Half-Year Financial Report. Amounts in the Directors' Report and Half-Year Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



Director  
Sydney, 24<sup>th</sup> August 2011

# Investment Manager's Report

## Background

The investment portfolio of Alternative Investment Trust ("AIT") consists of exposure to a basket of absolute return funds via a Swap Agreement with Macquarie Bank ("the Swap"), as well as a single investment – held outside the Swap – in EBI Income Fund. In January 2009, a unitholder vote determined that AIT should pursue an orderly wind up under a new investment manager, Laxey Partners (UK) Ltd ("Laxey") – formally appointed manager on 23 February 2009. Laxey is a part of Isle of Man based Laxey Partners Ltd. Laxey Partners was founded in 1998 as a globally active management company and manages a range of assets and funds for institutional investors. As part of the new mandate, the name of the fund was changed from Everest, Babcock & Brown Alternative Investment Trust to Alternative Investment Trust.

### *Return of Capital:*

In August 2010, AIT finished repaying its debt, which, at its peak in January 2009, stood at USD 289m. As per the revised Swap agreement, full debt repayment cleared the way for AIT to make distributions to unitholders. With the receipt of cash held in the now terminated secondary BNP swap (approximately USD 28m), AIT was able to make a return of capital to unitholders of AUD 0.38 per unit on 18 February 2011. This comprised a total of AUD 49.7m – 27% of AIT's gross assets at 31 December 2010. This brings the total distributions made to unitholders since the change of mandate to AUD 111.2m (or AUD 0.85 per unit) – representing approximately 71% of AIT's market value as at 31 January 2009 (or 37% of its unaudited net assets at that date).

A further return of capital is anticipated for the second half of 2011 as AIT has built up significant levels of cash from recent redemption proceeds. As at 31<sup>st</sup> July 2011, at least AUD 20m is available – equating to AUD 0.153 per unit. Negotiations are ongoing to realise some positions ahead of schedule; if successful, Laxey estimate that the amount available for distribution could increase significantly. A third return of capital to unitholders is a priority for AIT and Laxey will make an announcement regarding this as soon as possible in the second half of 2011.

## Trust Facts

(Parent entity as at 30 June 2011)

• Gross Assets (GA):	AUD 129.1m
• Net Assets (NA):	AUD 128.4m
• Market Cap:	AUD 91.5m
• Units in Issue:	131m
• NTA / unit:	0.983 AUD
• Leverage Ratio (GA / NA):	1.005
• Debt outstanding:	USD 0
• % of GA in 'Side Pockets'	27%
Capital Returns per unit:	
• February 2011 Return:	AUD 0.38
• Total Returns since Feb 2009:	AUD 0.85

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## Fund Performance

The underlying portfolio of AIT was designed to deliver an absolute return, and as a result, AIT's NTA does not track movements in global equity markets. While some funds do have exposure to equities as part of their portfolio, AIT now has exposure to just one equity long/short manager, ESL Investments ("ESL"), which returned a small gain for the period under review.

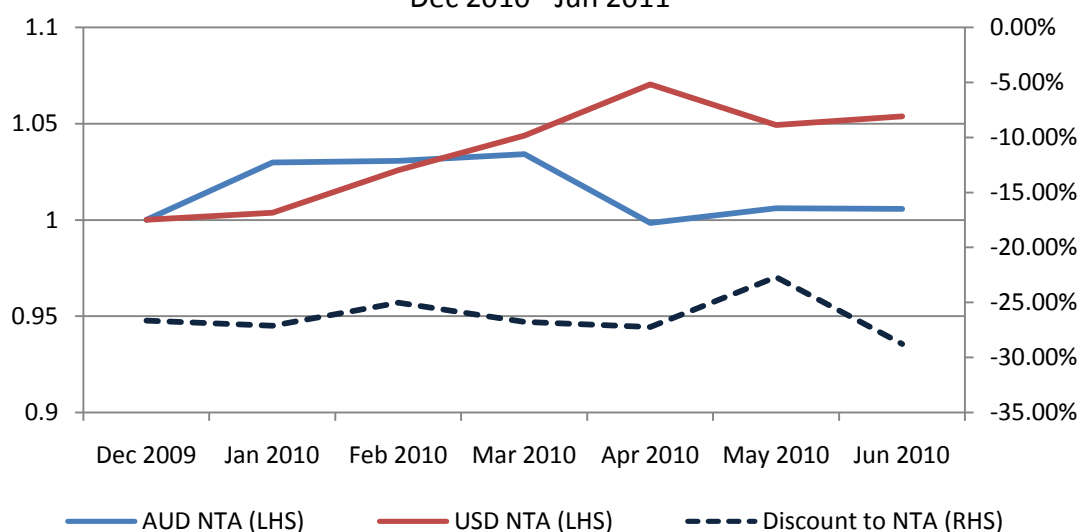
AIT's NTA fell from AUD 1.357 on 31 December 2010 to AUD 0.983 on 30 June 2011. Adjusting the December NTA to subtract the AUD 0.38 per unit Return of Capital, this represented a slight increase of +0.6% for the six months under review. Against this, the AUD rose in value against the USD by 4.8%. This had a negative effect on AIT's NTA; as the majority of AIT's underlying funds report in USD, one of the most prominent factors in AIT's NTA performance is the USD-AUD exchange rate.

At the end of June, AIT's net currency exposure was 83.8% to USD reporting funds, assets and liabilities, and 16.2% to AUD reporting funds, assets and liabilities. A significant amount of cash was moved to AUD in July; if this had been done before June end, the currency exposures would have been 68.2% to USD, 31.8% to AUD. Note that the value of the underlying funds may be affected by exchange rate movements in their investments; of the two funds that do report in AUD – Everest Absolute Return Fund ("EARF") and EBI Income Fund ("EBIIF") – neither has a very large net currency exposure to the AUD and so on a see through basis AIT has an even lower net currency exposure to the AUD.

The AUD and USD NTA performance (NTAs rebased to 1 at 31 December 2010, and adjusted for February 2011 Return of Capital, unaudited NTA's are used for January to May), together with the discount performance of AIT from 31 December 2010 to 30 June 2011 is given below. AIT's share price to NTA discount has been stable during the period under review – remaining between 20% and 30%. This compares favourably to the lows of over 50% at the end of 2008 and early 2009.

### NTA and Discount Performance

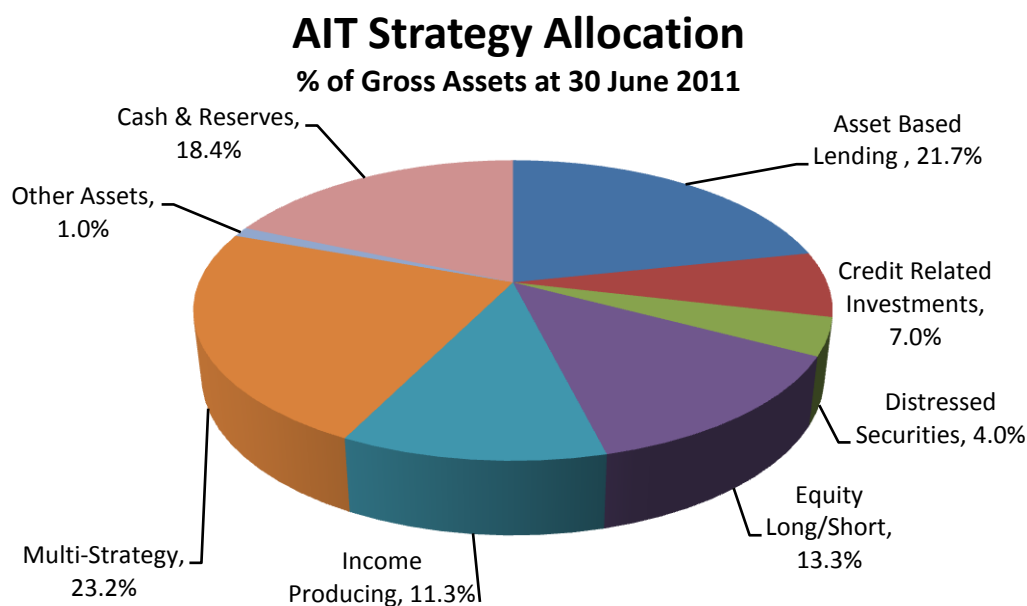
Dec 2010 - Jun 2011





## Portfolio Review

The chart below shows AIT's asset exposure as at 30 June 2011.



### Cash and Other Assets:

With the completion of debt repayment and the termination of the secondary BNP swap, AIT now has free use of its cash (less reserves). The above graph gives AIT's cash position as 18.4% of gross assets. In July 2011, post reporting date, the majority of the cash was held directly (i.e. outside the Macquarie Swap) in AUD. 'Other Assets' largely consists of receivables.

### AIT's Top Holdings as at 30 June 2011:

FUND NAME	STRATEGY	% OF GROSS ASSETS
Drawbridge Special Opportunities	Asset Based Lending	21.66%
ESL Investments	Equity Long/Short	13.33%
EBIIF	Income Producing	11.28%
TPG-Axon Partners Offshore Ltd	Multi-Strategy	5.13%
Eton Park Overseas Fund Ltd	Multi-Strategy	4.03%
GSO Special Situations Overseas Fund	Credit Related Investments	3.52%
Everest Absolute Return Fund	Multi-Strategy	2.98%
Och-Ziff Global Special Investments	Multi-Strategy	2.34%
Cerberus International Ltd	Distressed Securities	2.23%
Perry Partners International	Multi-Strategy	1.92%
<b>TOTAL</b>		<b>68.42%</b>

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The above Top Portfolio Holdings constitute 68% of AIT's portfolio and all but EBIF are held within the Macquarie Swap. The remainder of the portfolio consists of numerous smaller investments with varying degrees of liquidity. On behalf of AIT, Laxey maintains contact with the fund managers of each of the investments in order to better understand AIT's underlying exposure and its liquidity and risk profiles.

#### *Details of AIT's Top Holdings:*

**Drawbridge** (21.66% of Gross Assets): An opportunistic diversified portfolio of investments primarily made in the United States, Western Europe and the Pacific region, focusing on asset-based transactions, loans and corporate securities. AIT's holdings in Drawbridge are in liquidation, and AIT receive regular payments from Drawbridge as the portfolio is wound down. For the period under review, AIT received USD 4.4m from its liquidating Drawbridge positions.

**ESL Investments** (13.33% of Gross Assets): ESL has a number of large equity investments in retail companies, all primarily based in North America. These investments include AutoZone, a retailer of automotive parts and accessories, Sears, the department store, and AutoNation, which sells, finances and services new and used vehicles. This position has a fixed redemption date.

**EBI Income Fund** (11.28% of Gross Assets): EBI Income Fund (EBIF) has exposure to a range of direct investments and indirect investments via its investment in the Everest Babcock & Brown Income Fund (EBBIF). These investments are primarily mezzanine and subordinated loans to infrastructure related assets including ports, rail and car parking. The largest investment is in loans used to finance the acquisition of two European ports. These have been restructured in order to avoid a default on the loans (and hence maximise returns to EBIF) but the timeframe for repayment has been extended, meaning a full return to AIT is not possible in the short term. This fund is in liquidation mode and returns cash to AIT as it becomes available; EBIF returned AUD 0.9m during the period.

**TPG-Axon** (5.13% of Gross Assets): TPG is a multi-strategy fund. It has returned the full amount of non-side pocketed positions to AIT and the remaining exposure is to a number of illiquid investments in a range of sectors and countries. These are all actively managed and are in various stages of development and realisation.

**Eton Park Overseas Fund** (4.03% of Gross Assets): Eton Park Overseas Fund's objective is to deliver superior risk-adjusted returns over a multi-year period with an absolute return orientation. Equity long/short and credit-related strategies are the two main areas of investment for this fund; although it also has exposure to event orientated investments, as well as investments in derivatives and special investments. The fund invests globally and has no set allocation to any region, though North America is a significant area of investment currently. AIT still has exposure to the main fund but the majority of the exposure is to side pocket positions.

**GSO Special Situations** (3.52% of Gross Assets): GSO is an alternative asset manager specializing in credit related investments. It manages a multi-strategy credit hedge fund, a mezzanine fund, a senior debt fund and various CLO vehicles. In March 2008, Blackstone acquired GSO Capital Partners LP and merged its own Credit Investment operation into GSO. AIT's investment in the Special

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Situations fund sits in the multi-strategy hedge fund; the main investment has now been redeemed, and the remaining investments – largely in Private Equity investments – are side-pocketed; these may not be redeemed until GSO realise the specific investments.

**Everest Absolute Return Fund** (2.98% of Gross Assets): The Everest Absolute Return Fund is invested in a diversified portfolio of absolute return funds. As with AIT itself, the funds held by EARF are spread across a range of investment managers and EARF's strategy exposure includes long/short equity, distressed securities, multi-strategy, managed futures, global macro and arbitrage. The fund was restructured towards the end of 2008. It is currently being managed with a view to returning cash to shareholders. For the period under review, EARF returned AUD 1m to AIT.

**Och-Ziff Global Special Investments** (2.34% of Gross Assets): OZ Global Special Investments is a multi-strategy fund with a bias toward making so-called 'special investments' – taking investment positions that may be highly illiquid with a view to medium to long term returns. This fund's geographic focus is primarily though not exclusively toward developed markets and it invests across a variety of sectors. As the bulk of the liquid portion of the fund has already been returned to AIT, the remaining exposure is to these special investments, which do not have a fixed redemption profile.

**Cerberus International** (2.23% of Gross Assets): Cerberus predominantly makes investments in distressed securities, including those facing financial and operating difficulties and they have also made investments in secured debt, bank debt and mortgage related securities. Due to large volumes of redemption requests in 2008, Cerberus held back the majority of AIT's position as a liquidating investment, and AIT currently receives small payments roughly on a quarterly basis. The amount received is dependent upon underlying liquidations.

**Perry Partners** (1.92% of Gross Assets): Perry Partners is a multi-strategy fund with a principle focus on opportunity and event driven investing in a range of sectors across both credit and equity. The main fund position has been redeemed and AIT's exposure is now solely to side pocket positions.

#### *Further Updates:*

In addition to the above, it should be noted that a former Top 10 holding – Marathon Special Opportunity Fund – has dropped out of the Top 10. Redemption proceeds for the majority of this position were received as expected at the beginning of 2011 and AIT is now solely exposed to a number of remainder side pocket positions. A total of USD 6.7m has been received from Marathon funds in 2011.

## Liquidity Profile and Side Pocket Positions

AIT is debt free and all of the underlying funds have received redemption requests. As with 2010, the first half of 2011 saw steady progress on AIT's receipt of redemption proceeds; AIT was able to make a return of capital in February 2011 and a significant amount of further redemption proceeds have built up since that time. None of AIT's funds have put up restrictions on withdrawal beyond those already in place, and proceeds have come through as expected. AIT is increasingly exposed to funds undergoing full or significant liquidation and side pocket positions. This means that, at best, redemption proceeds follow indicative rather than firm timeframes and are dependent on the underlying managers realising illiquid investments.

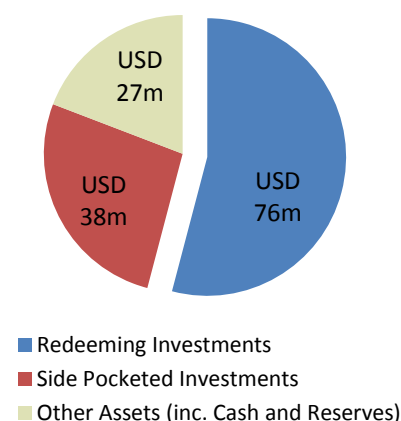
Liquidating funds are those which, because of large volumes of redemption requests, were forced to close their funds, and realise assets, distributing proceeds to investors as they become available. This dependence on the realisation of assets such as these makes distributions less certain. Laxey subdivides these assets into those which make regular (but not guaranteed) distributions – usually on a quarterly basis – and those which only make ad hoc distributions as cash becomes available to them.

Side pocket positions are esoteric and extremely illiquid investments that are made by an underlying investment manager from within an underlying fund. Although such positions are taken with a specific exit strategy in mind, the liquidity date is often highly unpredictable, and they tend to have 2-4 year horizons on initial investment. AIT's exposure to side pockets has increased as they have been slower to liquidate than the main funds, and because they have risen in value more substantially than the main funds following severe writedowns during 2008 and 2009. Given that these side pocket assets cannot be easily liquidated, that there is often some doubt as to the exact date of their realisation, and that they may not be redeemed at the request of the investor, Laxey treats these investments separately to the main funds in determining the liquidity profile of AIT.

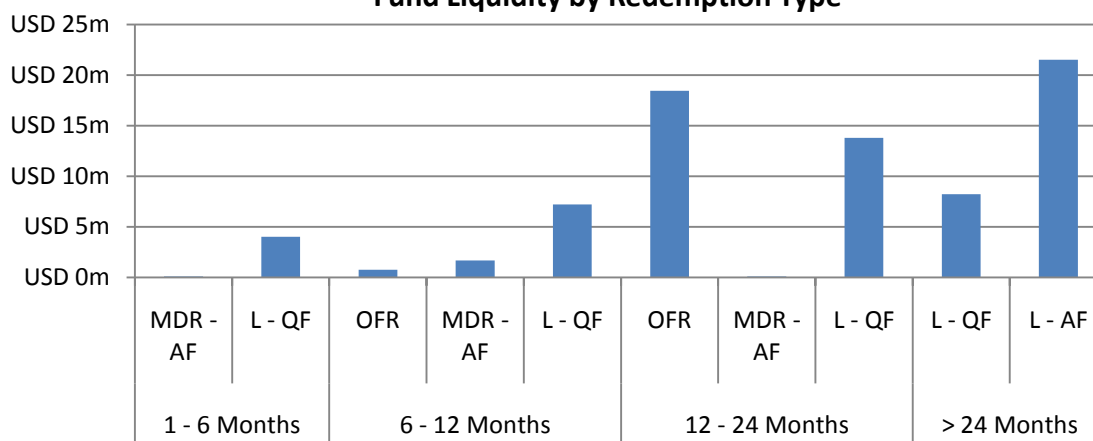
27% of AIT's assets are in side pocket investments. These are expected to have substantially redeemed within the next four years. Of course, many of these will be able to make distributions much sooner than this, but given the nature of their liquidity they are classed separately to the main funds for liquidity purposes. The chart to the right illustrates this liquidity division.

The remainder of AIT's non-cash exposure (54% of gross assets) is broken down in the following graph:

**Breakdown by Gross Assets**



### Fund Liquidity by Redemption Type



**Glossary**

MDR - AF: Multi date redemption - Annual flow ;  
 MDR - QF: Multi date redemption - Quarterly flow ;  
 OFR: Once-off full redemption ;  
  
 L - AF: Liquidating Fund - Ad hoc flow ;  
 L - QF: Liquidating Fund - Quarterly flow

The above chart uses the best information available to Laxey, but given the nature of fund redemptions, the liquidity profiles may be subject to change in light of new information or events.

Just over 15% of AIT’s gross assets are classed as liquidating with an ad hoc flow of distributions - bringing AIT’s total exposure to assets with difficult to determine liquidity to 42% of gross assets.

This leaves 39% of current gross assets exposed to funds with a – relatively – predictable liquidity timetable. On this basis, Laxey expects 3% of current gross assets to redeem by December 2011, a further 7% by June 2012, and another 23% in less than two years. Note non of these figures take account for possible early exits and there is a chance that some positions may be redeemed at an earlier (or later) than expected date.

### Outlook

AIT will continue to receive redemption proceeds in H2 2011, but the majority of these will be dependent upon early exit negotiations and liquidation processes of underlying funds. An announcement will be made before the end of the year on the next return of capital.

Signed by Colin Kingsnorth

Laxey Partners (UK) Ltd

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Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
www.ey.com/au

## Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited

In relation to our review of the financial report of Alternative Investment Trust for the half-year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in cursive script that reads "Rita Da Silva".

Rita Da Silva  
Partner

Sydney  
24 August 2011

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**Alternative Investment Trust**  
**Statement of Comprehensive Income**  
**For the Half-Year Ended 30 June 2011**

	Note	Consolidated Half-Year ended	
		30 June 2011 \$'000	30 June 2010 \$'000
<b>Investment income</b>			
Net gains/(losses) on financial instruments held at fair value through profit or loss	2	369	13,665
Interest income		519	481
Foreign exchange gain/(loss) on loans and receivables		706	(1,276)
Other foreign exchange gains/(losses)		1,527	389
Impairment expense		(658)	(926)
<b>Total investment income/(loss)</b>		<b>2,463</b>	<b>12,333</b>
<b>Expenses</b>			
Responsible entity fees	10	71	178
Management fees	10	1,093	1,018
Other operating expenses	3	472	1,546
<b>Total operating expenses</b>		<b>1,636</b>	<b>2,742</b>
<b>Operating profit/(loss) attributable to unitholders</b>		<b>827</b>	<b>9,591</b>
<b>Financing costs</b>			
Interest expense		-	(224)
<b>Change in net assets attributable to unitholders</b>		<b>827</b>	<b>9,367</b>
<b>Change in net assets attributable to:</b>			
Unitholders of AIT		(729)	(10,129)
Minority interest		(98)	762
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>
Basic and diluted earnings per unit in cents		0.56	7.75
Weighted average number of units in issue ('000)		130,692	130,692
Income attributable to unitholders of AIT (\$'000)		729	10,129

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Alternative Investment Trust

### Statement of Financial Position

As at 30 June 2011

		Consolidated	
		As at	
		30 June	31 December
		2011	2010
		\$'000	\$'000
	Note		
<b>Assets</b>			
Cash and cash equivalents		4,273	12,653
Receivables	4	1,272	982
Financial assets at fair value through profit or loss	5	118,422	158,977
Loans and receivables	6	10,564	11,899
<b>Total assets</b>		134,531	184,511
<b>Liabilities</b>			
Payables	7	688	1,491
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		688	1,491
<b>Net assets attributable to unitholders</b>		133,843	183,020
<b>Represented by:</b>			
Units on issue		511,885	561,548
Undistributed loss to unitholders		(383,448)	(384,177)
Minority interest		5,406	5,649
		133,843	183,020

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

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## Alternative Investment Trust

### Statement of Changes in Net Assets Attributable to Unitholders For the Half-Year Ended 30 June 2011

	Consolidated Half-Year ended			Total \$'000
	Units on issue \$'000	Undistributed loss \$'000	Minority interest \$'000	
<b>At 1 January 2011</b>	561,548	(384,177)	5,649	183,020
Return of capital	(49,663)	-	(341)	(50,004)
Profit/(loss) for the year attributable to unitholders	-	729	98	827
<b>As at 30 June 2011</b>	<b>511,885</b>	<b>(383,448)</b>	<b>5,406</b>	<b>133,843</b>
<b>At 1 January 2010</b>	561,548	(372,565)	8,092	197,075
Return of capital	-	-	(853)	(853)
Profit/(loss) for the year attributable to unitholder:	-	10,129	(762)	9,367
<b>As at 30 June 2010</b>	<b>561,548</b>	<b>(362,436)</b>	<b>6,477</b>	<b>205,589</b>

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes.

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**Alternative Investment Trust**  
**Statement of Cash Flows**  
**For the Half-Year Ended 30 June 2011**

	<b>Consolidated</b>	
	<b>Half-Year Ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Interest received	184	1,760
Other income received	29	-
Payment of management, Responsible Entity and other fees	(2,439)	(3,117)
Interest paid	-	(224)
GST received	16	100
<b>Net cash used in operating activities</b>	<b>(2,210)</b>	<b>(1,481)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	43,834	39,575
<b>Net cash provided by investing activities</b>	<b>43,834</b>	<b>39,575</b>
<b>Cash flows from financing activities</b>		
Return of capital to unitholders of AIT	(49,663)	-
Return of capital to minority interest	(341)	(853)
Repayment of borrowings	-	(40,290)
<b>Net cash used in financing activities</b>	<b>(50,004)</b>	<b>(41,143)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,380)</b>	<b>(3,049)</b>
Cash and cash equivalents at beginning of the half-year	12,653	14,161
<b>Cash and cash equivalents at the end of the half-year</b>	<b>4,273</b>	<b>11,112</b>

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

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**Alternative Investment Trust**  
**Notes to the Financial Statements**  
**For the Half-Year Ended 30 June 2011**

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**General Information**

Alternative Investment Trust (AIT) is an Australian registered managed investment scheme which comprises the entities controlled by AIT (known as the Consolidated Entity) and is also listed on the Australian Securities Exchange (ASX). AIT was constituted on 7 April 2005.

The Responsible Entity of AIT is The Trust Company (RE Services) Limited. The registered office of The Trust Company (RE Services) Limited is Level 15, 20 Bond Street, Sydney, NSW 2000.

Laxey Partners (UK) Ltd (Laxey) is the Investment Manager of AIT.

The financial statements were authorised for issue by the Directors on 24<sup>th</sup> August 2011.

**1. Summary of significant accounting policies**

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

**Basis of preparation**

This general purpose financial report for the half-year ended 30 June 2011 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss that have been measured at fair value. This is consistent with the intention of the Investment Manager to liquidate AIT on an orderly basis.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the Annual Report released to unitholders on 28 February 2011 and considered together with any public announcements made by AIT during the half-year ended 30 June 2011 and up to the date of signing of these financial statements.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to AIT under ASIC Class Order 98/100.

**Alternative Investment Trust**  
**Notes to the Financial Statements**  
**For the Half-Year Ended 30 June 2011**

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

	<b>Consolidated Half-Year ended</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial instruments</b>		
Fair value gains/(losses) on leverage facility	1,750	15,674
Net gains/(losses) on direct investments designated as fair value through profit or loss	50	(537)
Fair value gain/(loss) on derivatives (foreign currency contracts and interest rate swap)	(1,431)	(1,472)
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>369</b>	<b>13,665</b>

**3. Other operating expenses**

	<b>Consolidated Half-Year ended</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Professional fees	139	1,252
Fund administration and custody expenses	185	181
Other general and administrative expenses	148	113
<b>Total other operating expenses</b>	<b>472</b>	<b>1,546</b>

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**Alternative Investment Trust**  
**Notes to the Financial Statements**  
**For the Half-Year Ended 30 June 2011**

**4. Receivables**

	<b>Consolidated</b>	
	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest receivable	1,215	880
GST recoverable	55	71
Other receivables	2	31
<b>Total receivables</b>	<b>1,272</b>	<b>982</b>

No loss has been recognised in respect of receivables during the half-year ended 30 June 2011 (31 December 2010: nil).

**5. Financial assets at fair value through profit or loss**

	<b>Consolidated</b>	
	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at fair value through profit or loss</b>		
Underlying investment portfolio	112,419	152,569
Unlisted managed fund	6,003	6,408
<b>Total financial assets designated as fair value through profit or loss</b>	<b>118,422</b>	<b>158,977</b>

Investments in unlisted managed funds (including investments in unlisted managed funds that have suspended daily redemptions) are recorded at the redemption value per unit as reported by the managers of such funds.

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**Alternative Investment Trust**  
**Notes to the Financial Statements**  
**For the Half-Year Ended 30 June 2011**

**6. Loans and receivables**

Loans and receivables consist of subordinated debt assets.

	<b>Consolidated</b>	
	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Loans and receivables	22,090	26,177
Less provision for impairment	(11,526)	(14,278)
<b>Total loans and receivables</b>	<b>10,564</b>	<b>11,899</b>

**7. Payables**

	<b>Consolidated</b>	
	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts owing to Responsible Entity	31	33
Management fees	319	796
Fund administration and custody expenses	60	68
Legal expenses	-	327
Other payables	278	267
<b>Total payables</b>	<b>688</b>	<b>1,491</b>

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**Alternative Investment Trust**  
**Notes to the Financial Statements**  
**For the Half-Year Ended 30 June 2011**

**8. Net assets attributable to unitholders**

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

	30 June 2011 No.	Parent Half-Year ended		30 June 2010 \$'000
		30 June 2011 No.	30 June 2011 \$'000	
Opening balance at 1 January	130,692,470	130,692,470	177,371	188,983
Return of Capital	-	-	(49,663)	-
Change in net assets attributable to unitholders	-	-	729	10,129
Closing balance at 30 June	130,692,470	130,692,470	128,437	199,112

**9. Earnings per unit**

Basic earnings per unit is calculated as income attributable to unitholders in AIT divided by the weighted average number of units on issue.

	Consolidated Half-Year ended	
	30 June 2011	30 June 2010
Income attributable to unitholders (\$'000)	729	10,129
Basic and diluted earnings per unit in cents	0.56	7.75
Weighted average number of units in issue ('000)	130,692	130,692

**10. Related party transactions**

The Responsible Entity of Alternative Investment Trust is The Trust Company (RE Services) Limited.

**(a) Responsible Entity's/Investment Manager's fees**

The Trust Company (RE Services) Limited, charges 0.1% per annum (excluding GST) of gross assets, subject to a minimum of \$80,000 per annum. For the half-year ended 30 June 2011 The Trust Company (RE Services) Limited received \$71,075 (30 June 2010: \$177,893) for services rendered to AIT.

Directors of the Responsible Entity do not receive any fees directly from AIT.

**Alternative Investment Trust**  
**Notes to the Financial Statements**  
**For the Half-Year Ended 30 June 2011**

**10. Related party transactions (continued)**

**(a) Responsible Entity's/Investment Manager's fees (continued)**

Laxey Partners (UK) Ltd, the Investment Manager, charges 0.75% per annum (excluding GST) of gross assets and 1% of distributions paid to investors (excluding GST). The Responsible Entity's Fees and Investment Manager's Fees in total are not to exceed 1.25% per annum of gross assets.

The Trust Company Limited, the Custodian, charges 0.025% per annum (excluding GST) of gross assets excluding the swap assets, payable quarterly in arrears, subject to a minimum annual fee of \$25,000 and subject to a CPI adjustment annually in arrears. For the half-year ended 30 June 2011 The Trust Company Limited received \$13,182 (30 June 2010: \$12,242) for services rendered to AIT.

All related party transactions are conducted on commercial terms and conditions. The transactions during the half-year and amounts payable at half-year between the Consolidated Entity and the Responsible Entity and Investment Manager were as follows:

	<b>Consolidated Half-Year ended</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
Fees paid to the Responsible Entity	71	178
<b>Fees paid to the Responsible Entity</b>	<b>71</b>	<b>178</b>
Fees paid to Laxey	1,042	861
Fees paid to the Investment Manager of EBIIIF	51	157
<b>Total Management Fees</b>	<b>1,093</b>	<b>1,018</b>
Fees paid to the Custodian	13	12
<b>Fees paid to the Custodian (included in other operating expenses)</b>	<b>13</b>	<b>12</b>

**(b) Investments in unlisted funds**

AIT has invested 91,942,695 units (31 December 2010: 91,942,695 units) valued at \$14,563,723 (31 December 2010: \$15,225,710) within a zero fee paying class in the EBI Income Fund (EBIIF) at 30 June 2011. This investment allows AIT to achieve its intention of accessing a diversified portfolio of assets and gaining exposure to direct investment in subordinated debt.

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**Alternative Investment Trust**  
**Notes to the Financial Statements**  
**For the Half-Year Ended 30 June 2011**

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**11. Events occurring after end of the reporting period**

Subsequent to 30 June 2011, AIT determined to transfer \$18,807,598 of proceeds from the realisation of the underlying fund investments to its Australian Dollar denominated bank account.

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period that has significantly affected, or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

**12. Contingent assets and liabilities and commitments**

There are no commitments or contingencies as at 30 June 2011 (30 June 2010: \$nil).

**13. Subsidiaries**

Name of subsidiary	Country of incorporation	Ownership interest	
		30 June 2011	31 December 2010
EBI Income Fund	Australia	73%	73%

**14. Segment Information**

The Consolidated Entity engages in one business activity from which it earns revenue being investment management and its results are analysed as a whole by the chief decision maker, Laxey. As such the Consolidated Entity has only one reportable operating segment.

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**Alternative Investment Trust**  
**Directors' Declaration**  
**For the Half-Year ended 30 June 2011**

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**DIRECTORS' DECLARATION**

The Directors of the Responsible Entity declare that:

- a) In the Directors' opinion, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable; and
- b) In the Directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with AASB 134 Interim Financial Reporting and giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and performance for the half-year ended on that date.

Signed in accordance with a resolution of the Directors of the Responsible Entity, made pursuant to s.303(5) of the Corporations Act 2001.



On behalf of the Board  
Michael Britton  
Director  
Sydney, 24<sup>th</sup> August 2011

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## Independent auditor's report to the unitholders of Alternative Investment Trust

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alternative Investment Trust (the "Trust"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the half-year end.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Alternative Investment Trust and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

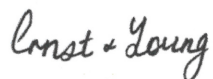
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the Director's Report.

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## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alternative Investment Trust is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*



Ernst & Young



Rita Da Silva  
Partner  
Sydney  
24 August 2011

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