Man AHL Alpha (AUD)

ARSN 138 643 768

Annual Report 2011

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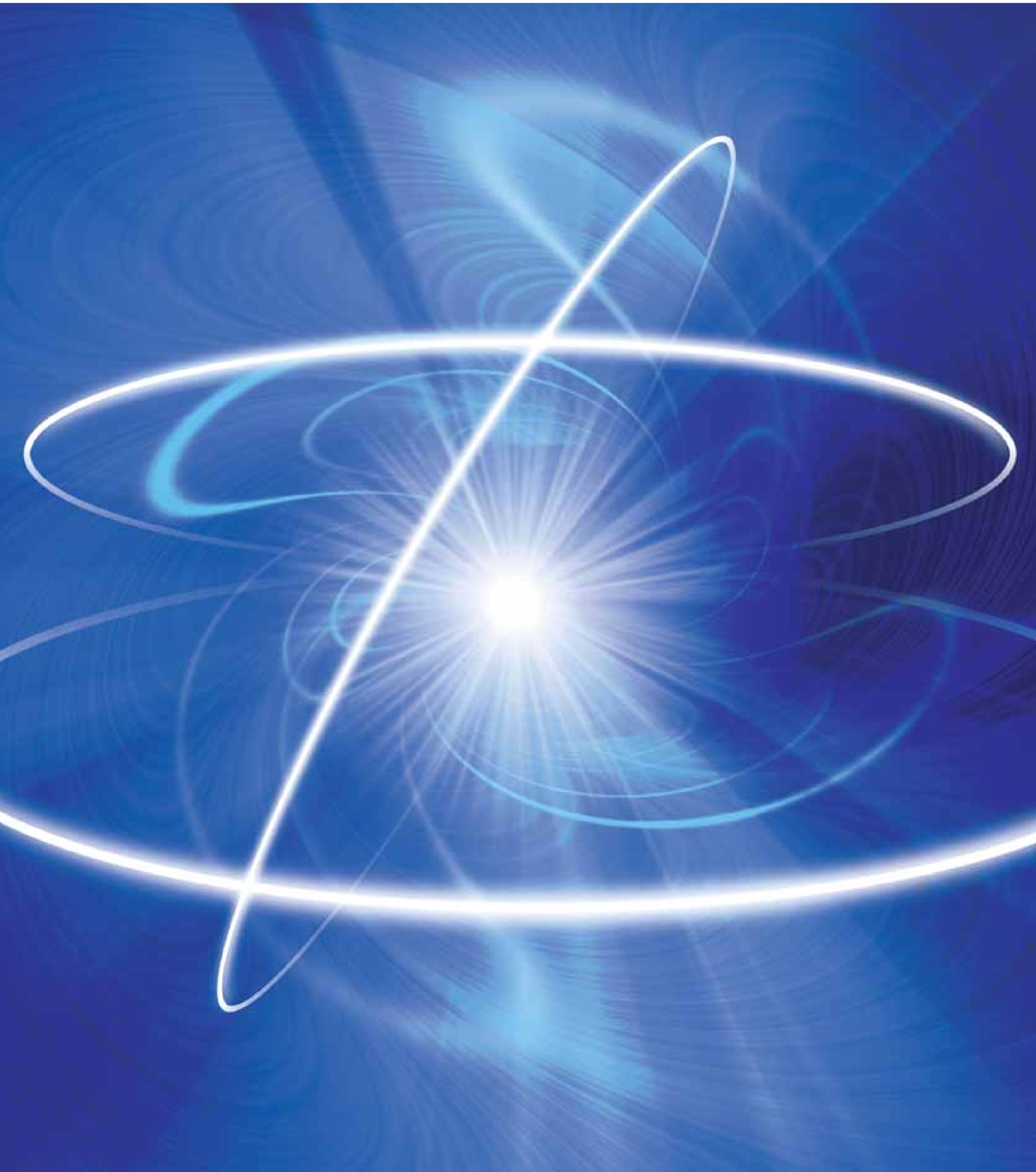

Man AHL Alpha (AUD) Fund

ARSN 138 643 768

Annual financial statements for the reporting period ended 30 June 2011

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Annual financial statements for the reporting period ended 30 June 2011

Contents

These financial statements cover Man AHL Alpha (AUD) Fund as an individual entity.

The Responsible Entity of Man AHL Alpha (AUD) Fund is Man Investments Australia Limited (ABN 47 002 747 480) (AFS Licence No. 240581). The Responsible Entity's registered office is Level 21, Grosvenor Place, 225 George Street, Sydney NSW 2000.

Directors' report

The directors of Man Investments Australia Limited, the Responsible Entity of Man AHL Alpha (AUD) Fund, present their report together with the financial statements of Man AHL Alpha (AUD) Fund ("the Scheme") for the period ended 30 June 2011 ("the reporting period").

Scheme information

The Scheme is an Australian registered scheme. Man Investments Australia Limited, the Responsible Entity, is a company limited by shares, incorporated and domiciled in Australia.

Responsible entity

The Responsible Entity of Man AHL Alpha (AUD) Fund is Man Investments Australia Limited (ABN 47 002 747 480) (AFS Licence No. 240581). The Responsible Entity's registered office and principal place of business is Level 21, Grosvenor Place, 225 George Street, Sydney NSW 2000.

Principal activities

The Scheme invests shares in AHL Strategies PCC Limited (the 'Underlying Fund'), which invests by using the AHL Alpha Program. The AHL Alpha Program is a computerised managed futures program that accesses around 300 international markets.

The Scheme did not have any employees during the reporting period.

There were no significant changes in the nature of the Scheme's activities during the reporting period.

Directors

The following persons held office as directors of Man Investments Australia Limited during the reporting period or since the end of the of the reporting period and up to the date of this report:

Christoph Moeller
Gary Gerstle
Geoffrey Hilton
Tim Rainsford
Tim Banfield
Stephen Ross
Michael Robinson
Hersh Gandhi (Appointed 9 December 2010)

Review and results of operations

During the reporting period, the Scheme invested funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

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

	Period ended	
	30 June 2011 $	30 June 2010 $
Profit/(loss) before finance costs attributable to unitholders	**(225,019)**	1,146,963
Distribution paid and payable	**196,437**	305,774
Distribution (cents per unit - CPU)	**0.72**	3.63

Directors' report (continued)

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the reporting period.

Events occuring after the reporting period

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

(i) the operations of the Scheme in future reporting periods, or
(ii) the results of those operations in future reporting periods, or
(iii) the state of affairs of the Scheme in future reporting periods.

Likely developments and expected results of operations

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

The results of the Scheme's operations will be affected by a number of factors, including the performance of investment markets in which the Scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Man Investments Australia Limited or the auditors of the Scheme. So long as the officers of Man Investments Australia Limited act in accordance with the Scheme Constitution and the Law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Scheme property during the reporting period are disclosed in note 11 of the financial statements.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the reporting period.

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 11 of the financial statements.

Interests in the Scheme

The movement in units on issue in the Scheme during the reporting period is disclosed in note 5 of the financial statements.

The value of the Scheme’s assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Directors' report (continued)

Environmental regulation

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

Reporting period and comparative information

The financial statements are for the period from 1 July 2010 to 30 June 2011. The comparative information period encompasses the period from 17 August 2009 to 30 June 2010.

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 5.

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

G. Gerstle

Gary Gerstle
Managing Director

Sydney
28 September 2011

Auditor's Independence Declaration

As lead auditor for the audit of Man AHL Alpha Fund for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Man AHL Alpha Fund during the period.

Darren Ross
Partner
PricewaterhouseCoopers

Sydney
28 September 2011

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Statement of comprehensive income

	Notes	Period ended 30 June 2011 $	30 June 2010 $
Investment income			
Interest income		**3,604**	3,048
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	**(191,556)**	1,163,482
Total investment income/(loss)		**(187,952)**	1,166,530
Expenses			
Recoverable expenses	11	**37,036**	19,521
Other operating expenses		**31**	46
Total expenses		**37,067**	19,567
Profit/(loss) before finance costs attributable to unitholders		**(225,019)**	1,146,963
Finance costs attributable to unitholders			
Distributions to unitholders	6	**196,437**	305,774
Increase/(decrease) in net assets attributable to unitholders	5	**(421,456)**	841,189
Profit/(loss) for the reporting period attributable to unitholders		**-**	-
Other comprehensive income for the reporting period attributable to unitholders		**-**	-
Total comprehensive income for the reporting period attributable to unitholders		**-**	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at **30 June 2011 $**	 30 June 2010 $
Assets			
Cash and cash equivalents		**369,078**	692,268
Due from brokers - receivable for securities sold		**-**	8,178,449
Receivables	8	**304,324**	249
Financial assets held at fair value through profit or loss	7	**28,320,894**	-
Total assets		**28,994,296**	8,870,966
Distributions payable	6	**196,437**	-
Payables	9	**56,160**	-
Total liabilities (excluding net assets attributable to unitholders)		**252,597**	-
Net assets attributable to unitholders - liability	5	**28,741,699**	8,870,966

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

Statement of changes in equity

	Period ended 30 June 2011 $	30 June 2010 $
Total equity at the beginning of the financial reporting period	**-**	-
Profit/(loss) for the reporting period attributable to unitholders	**-**	-
Other comprehensive income for the reporting period attributable to unitholders	**-**	-
Total comprehensive income for the reporting period attributable to unitholders	**-**	-
Transactions with owners in their capacity as owners	**-**	-
Total equity at the end of the reporting period	**-**	-

In accordance with AASB 132 *Financial Instruments: Presentation,* net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the reporting period.

Changes in net assets attributable to unitholders are disclosed in note 5.

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

Statement of cash flows

	Notes	Period ended 30 June 2011 $	30 June 2010 $
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**11,328,547**	33,499,998
Purchase of financial instruments held at fair value through profit or loss		**(31,662,548)**	(40,514,965)
Interest received		**3,604**	3,048
Payment of other expenses		**(34,387)**	(19,816)
Income tax received/(paid)		**1,965**	-
Net cash inflow/(outflow) from operating activities	12(a)	**(20,362,819)**	(7,031,735)
Cash flows from financing activities			
Proceeds from applications by unitholders		**24,583,985**	7,012,574
Payments for redemptions by unitholders		**(4,544,356)**	(34,019,142)
Distribution paid		**-**	(269,529)
Net cash inflow/(outflow) from financing activities		**20,039,629**	(27,276,097)
Net increase/(decrease) in cash and cash equivalents		**(323,190)**	(34,307,832)
Cash and cash equivalents at beginning of the reporting period		**692,268**	35,000,100
Cash and cash equivalents at the end of the reporting period	12(b)	**369,078**	692,268

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

Contents

1 General information

These financial statements covers Man AHL Alpha (AUD) Fund (the "Scheme") as an individual entity.

The Responsible Entity of the Scheme is Man Investments Australia Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 21, Grosvenor Place, 225 George Street, Sydney NSW 2000.

The financial statements are presented in the Australian currency.

The Scheme invests shares in AHL Strategies PCC Limited (the 'Underlying Fund') which invests by using the AHL Alpha Program. The AHL Alpha Program is a computerised managed futures program that accesses around 300 international markets.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements were authorised for issue by the directors on 28 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets and net assets attributable to unitholders where the amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Compliance with International Financial Reporting Standards

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

(b) Financial instruments

(i) Classification

The Scheme's investments are categorised as held at fair value through profit or loss. They comprise:

- *Financial instruments designated at fair value through profit or loss upon initial recognition*

  These include financial assets that are not held for trading purposes and which may be sold. These may include investments in unlisted trusts.

  Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

  The information on the fair value basis is provided internally to the Scheme's key management personnel. In addition, the designation of financial assets and financial liabilities held at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Scheme retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Scheme has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset; or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

- *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities held at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in statement of comprehensive income.

- *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Scheme is the current bid price, and the quoted market price for financial liabilities is the current asking price.

- *Fair value in an inactive or unquoted market*

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, 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 management’s best estimates and the discount rate used in a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such Funds.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities due to mandatory distributions. The units can be put back to the Scheme at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Scheme.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

(e) Investment income

Interest income and interest expenses are recognised in the statement of comprehensive income for all financial instruments on an accruals basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

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

Net gains/(losses) on investments are calculated as the difference between the fair value at sale, or at reporting period end and the fair value at the previous valuation point. These includes both realised and unrealised gains and losses.

(g) Expenses

All expenses, including recoverable expenses are recognised in the statement of comprehensive income on an accruals basis.

(h) Income tax

Under current legislation, the Scheme is not subject to income tax provided the taxable income of the Scheme is fully distributed either by way of cash or reinvestment (ie unitholders are presently entitled to the income of the Scheme).

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

(i) Distributions

In accordance with the Scheme Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(j) Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in statement of comprehensive income as finance costs.

2 Summary of significant accounting policies (continued)

(k) Receivables

Receivables may include amounts for trust distributions, interest and securities sold where settlement has not yet occured. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

(l) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Scheme's Constitution.

(m) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the reporting period. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Scheme will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(n) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Scheme by third parties such as custodial services and investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(p) Use of estimates

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The majority of the Scheme's financial instruments comprise an investment in an underlying unquoted investment trust (the "Underlying Fund"). The Underlying Fund is priced monthly and no restrictions normally exist against withdrawals.

For certain other financial instruments, including amounts due from/to brokers and accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(q) Reporting period and comparative information

The financial statements are for the period from 1 July 2010 to 30 June 2011. The comparative information period encompasses the period from 17 August 2009 to 30 June 2010.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. The Standard is not applicable until 1 January 2013. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not traded. Fair value gains/(losses) on debt investments are recognised directly in profit or loss. The Scheme does not expect any significant impact on the Scheme's financial statements arising from an adoption of the Standard.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures.* It is effective from 1 January 2011. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amendment will not have any effect on the Scheme's financial statements.

(iii) AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Scheme does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) AASB 2010-5 *Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]* (effective from 1 January 2011)

In October 2010, the AASB issued the above Standard. The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no major impact on the requirements of the amended pronouncements. It does not expect that any adjustments will be necessary as the result of applying the amendments.

(v) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective from 1 July 2011)

In November 2010, the AASB issued the above Standard amending the disclosure requirements in AASB 7 *Financial Instruments: Disclosures.* The Standard introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Scheme will apply the amendment from 1 July 2011 with no comparative information being required for the reporting period ending on 30 June 2012. It does not expect any significant impact as the result of applying the amendments.

2 Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations (continued)

(vi) IFRS 13 *Fair Value Measurement* (effective from 1 January 2013)

IFRS 13 was released in May 2011. The Australian Accounting Standards Board is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Schemes have yet to determine the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Schemes do not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(vii) AASB 1054 *Australian Additional Disclosures,* AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans Tasman Convergence Project* (effective from 1 July 2011)

The Australian Accounting Standards Board and New Zealand Financial Reporting Standards Board have issued accounting standards that eliminate most of the existing differences between their local standards and IFRS. Where additional disclosures were considered necessary, they were moved to the new standard AASB 1054. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Schemes' current disclosures. The Schemes intend to adopt the standards from 1 July 2011.

(viii) Revised IAS 1 *Presentation of Financial Statements* (effective from 1 July 2012)

In June 2011, the International Accounting Standards Board made an amendment to IAS 1 *Presentation of Financial Statements.* The Australian Accounting Standards Board is expected to make the equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to the statement of comprehensive income in the future. It will not affect the measurement of any of the items recognised in the statements of financial position or the statement of comprehensive income. The Schemes intend to adopt the new standard from 1 July 2012.

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

	Period ended	
	30 June 2011 $	30 June 2010 $
Net gains/(losses) on financial instruments held at fair value through profit or loss	**(191,556)**	1,163,482
Total net gains/(losses) on financial instruments held at fair value through profit or loss	**(191,556)**	1,163,482

4 Auditor's remuneration

During the reporting period the following fees for services provided by the auditor of the Scheme were borne by the Responsible Entity:

	Period ended	
	30 June 2011 $	30 June 2010 $
PricewaterhouseCoopers		
Audit and other assurance services		
Audit of financial statements	**16,577**	13,500
Audit of compliance plan	**9,383**	8,350
Total remuneration for audit and other assurance services	**25,960**	21,850
Taxation services		
Tax compliance services	**4,950**	4,000
Total remuneration for taxation services	**4,950**	4,000
Total remuneration of PricewaterhouseCoopers	**30,910**	25,850

5 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme.

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

	Period ended			
	30 June 2011 No.	30 June 2010 No.	**30 June 2011 $**	30 June 2010 $
Net assets attributable to unitholders				
Opening balance	**8,464,137**	41,596,205	**8,870,966**	42,012,674
Applications	**22,843,091**	-	**24,887,314**	-
Redemptions	**(4,106,790)**	(33,166,653)	**(4,595,125)**	(34,019,142)
Units issued upon reinvestment of distributions	**-**	34,585	**-**	36,245
Increase in net assets attributable to unitholders	**-**	-	**(421,456)**	841,189
Closing balance	**27,200,438**	8,464,137	**28,741,699**	8,870,966

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

6 Distributions to unitholders

The distributions for the reporting period were as follows:

	Period ended			
	30 June 2011 $	**30 June 2011 CPU**	30 June 2010 $	30 June 2010 CPU
Distribution payable	**196,437**	**0.72**	-	-
Distribution paid	**-**	**-**	305,774	3.63
	196,437	**0.72**	305,774	3.63

7 Financial assets held at fair value through profit or loss

	As at	
	30 June 2011 $	30 June 2010 $
Designated at fair value through profit or loss upon initial recognition		
Unlisted equity securities	**28,320,894**	-
Total financial assets held at fair value through profit or loss	**28,320,894**	-

8 Receivables

	As at	
	30 June 2011 $	30 June 2010 $
Unsettled applications	**303,329**	-
GST recoverable	**995**	249
	304,324	249

9 Payables

	As at	
	30 June 2011 $	30 June 2010 $
Accrued expenses	**5,391**	-
Unsettled redemptions	**50,769**	-
	56,160	-

10 Financial risk management

(a) Objectives, strategies, policies and processes

The Scheme's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk, concentrations of risk, and liquidity risk.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed.

Since most of the risk exposure is contained in the Underlying Entity, risk management relating to the investments is performed at this level. Therefore the risk disclosures have been prepared on the basis of the Fund's direct investment and not a look through basis for investments held indirectly in the Underlying Entity.

The Scheme, via its investment in the Underlying Entity, uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ratings analysis for credit risk, and maturity analysis for liquidity risk.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look-through basis for investments held in the Scheme.

The sensitivity of the Scheme’s net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk is measured by the reasonably possible movements approach. This approach is determined based on management’s best estimates, having regard to a number of factors, including the historical correlation of the Scheme’s investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

(i) Price risk

Price risk is the risk that the fair value of investments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

During the reporting period, the Scheme is exposed to price risk in relation to its shares held in the Underlying Entity as prices in the future are uncertain. The shares in the Underlying Entity are classified on the statement of financial position as held at fair value through profit or loss. The Scheme was exposed to price risk during the period through its investment in the Underlying Entity.

At 30 June 2011, if the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2011		As at 30 June 2010	
	Increased by 10%	**Decreased by 10%**	Increased by 10%	Decreased by 10%
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**2,832,089**	**(2,832,089)**	116,348	(116,348)

The analysis is performed on the same basis for 2011 and 2010.

10 Financial risk management (continued)

(ii) Foreign exchange risk

The Scheme generally does not have any direct exposure to foreign exchange risk based on the Scheme’s investment in the Underlying Entity, which issues shares denominated in Australian dollars. Therefore at the Scheme level, there is no significant foreign exchange risk as the majority of its monetary assets and liabilities are denominated in Australian dollars.

(iii) Interest rate risk

The Scheme's exposure to interest rate risk is limited to cash at bank.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and amounts due from brokers and other receivables.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the reporting period.

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk of the Underlying Entity are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

(i) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase on the securities that have been received by the broker. The trade will fail if either party fails to meet its obligations.

(ii) Cash and cash equivalents

Substantially all of the cash held by the Scheme is held with National Australia Bank Limited. Bankruptcy or insolvency by National Australia Bank may cause the Scheme’s rights with respect to the cash held by National Australia Bank Limited to be delayed or limited. The Responsible Entity monitors the credit rating and financial position of National Australia Bank on an on-going basis. If the credit quality or the financial position of National Australia Bank deteriorates significantly the Scheme will move the cash holdings to another bank.

10 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Underlying Entity's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme's Constitution provides for the daily application and redemptions of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time.

Applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying fund. Under the terms of the investment in the Scheme Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interest of the unitholders.

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	**1-3 months**	**3-12 months**	**12-60 months**
	$	**$**	**$**	**$**
At 30 June 2011				
Distribution payable	**196,437**	**-**	**-**	**-**
Payables	**56,160**	**-**	**-**	**-**
Net assets attributable to unitholders	**-**	**28,741,699**	**-**	**-**
Total financial liabilities	**252,597**	**28,741,699**	**-**	**-**

	Less than 1 month	1-3 months	3-12 months	12-60 months
	$	$	$	$
At 30 June 2010				
Net assets attributable to unitholders	-	8,870,966	-	-
Total financial liabilities	-	8,870,966	-	-

(f) Estimation of fair values of financial assets and financial liabilities

The carrying amounts of all the Scheme’s financial assets and financial liabilities at the end of the reporting period approximated their fair values.

For the period ended 30 June 2011, the Scheme did not include financial assets and financial liabilities that were determined using valuation techniques. The fair values of the Scheme's financial assets and liabilities for the reporting periods then ended were determined directly, in full or in part, by reference to quoted prices that were available from various sources, such as exchanges, dealers, brokers, industry groups and pricing services.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such Funds.

(g) Fair value hierarchy

The Scheme has adopted amendments to AASB 7, effective 1 July 2009. The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

10 Financial risk management (continued)

(g) Fair value hierarchy (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Scheme. The Scheme considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

As at 30 June 2011	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Unlisted managed investment schemes	**-**	**28,320,894**	**-**	**28,320,894**
Total	**-**	**28,320,894**	**-**	**28,320,894**

As at 30 June 2010	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Due from Brokers - receivable for security sold	-	8,178,449	-	8,178,449
Total	-	8,178,449	-	8,178,449

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, eg recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment-grade corporate bonds and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, the Scheme has used valuation techniques to derive fair value.

Where a valuation model technique is used, the Scheme considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary.

11 Related party transactions

Responsible Entity

The Responsible Entity of Man AHL Alpha (AUD) Fund is Man Investments Australia Limited.

Key management personnel

Directors

The names of the persons who were directors of the company at any time during the reporting period and up to the date of this report are as follows:

Christoph Moeller
Gary Gerstle
Geoffrey Hilton
Tim Rainsford
Tim Banfield
Stephen Ross
Michael Robinson
Hersh Gandhi (Appointed 9 December 2010)

In addition, the Strategic Committee is considered to be a key management personnel of the Scheme.

Key management personnel unitholdings

The key management personnel of Man Investments Australia Limited held units in the Scheme as follows:

30 June 2011

Unitholder	**Number of units held opening (Units)**	**Number of units held closing (Units)**	**Fair value of investment ($)**	**Interest held (%)**	**Number of units acquired (Units)**	**Number of units disposed (Units)**	**Distributions paid/payable by the Scheme ($)**
Gary Gerstle	**103**	**104**	**110**	**-**	**1**	**-**	**1**

30 June 2010

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment ($)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Scheme ($)
Gary Gerstle	100	103	112	-	3	-	4

Key management personnel remuneration

Key management personnel are paid by Man Investments Australia Limited. Payments made from the Scheme to Man Investments Australia Limited do not include any amounts directly attributable to management personnel remuneration.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

11 Related party transactions (continued)

Other transactions within the Scheme

From time to time directors of Man Investments Australia Limited, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Scheme during the reporting period and there were no material contracts involving key management personnel's interests existing at the end of the reporting period.

Responsible entity's fees and other transactions

Under the terms of the Scheme Constitution, the Responsible Entity is entitled to receive a recoverable expense fee.

(i) Recoverable expense fee was charged at 0.2% of the Scheme's net asset value, calculated as at the end of each month.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the reporting period and amounts payable at reporting period end between the Scheme and the Responsible Entity were as follows:

	Period ended	
	30 June 2011 $	30 June 2010 $
Recoverable expenses for the reporting period paid by the Scheme	**37,036**	19,521
Recoverable expenses payable at reporting period end by the Scheme	**5,391**	-

Related party unitholdings

Parties related to the Scheme (including Man Investments Australia Limited, its related parties and other schemes managed by Man Investments Australia Limited), held units in the Scheme as follows:

30 June 2011

Unitholder	**Number of units held opening (Units)**	**Number of units held closing (Units)**	**Fair value of investment ($)**	**Interest held (%)**	**Number of units acquired (Units)**	**Number of units disposed (Units)**	**Distributions paid/ payable by the Scheme ($)**
Man Investments Australia Limited	**1,943,553**	**10,000**	**10,566**	**0.04**	**92**	**1,933,645**	**72**

30 June 2010

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment ($)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/ payable by the Scheme ($)
Man Investments Australia Limited	35,000,000	1,943,553	2,100,398	22.96	-	33,056,447	305,774

12 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Period ended	
	30 June 2011 $	30 June 2010 $
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the reporting period attributable to unitholders	**-**	-
Increase/(decrease) in net assets attributable to unitholders	**(421,456)**	841,189
Proceeds from sale of financial instruments held at fair value through profit or loss	**11,328,547**	33,499,998
Purchases of financial intruments held at fair value through profit or loss	**(31,662,548)**	(40,514,965)
Net (gains)/losses on financial instruments held at fair value through profit or loss	**191,556**	(1,163,482)
Net change in receivables and other assets	**-**	(249)
Net change in accrued income and prepaid expenses	**(746)**	-
Net change in payables and other liabilities	**5,391**	-
Distribution paid to unitholders	**196,437**	305,774
Net cash inflow/(outflow) from operating activities	**(20,362,819)**	(7,031,735)
(b) Components of cash and cash equivalents		
Cash as at the end of the reporting period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	**369,078**	692,268
(c) Non-cash financing and investing activities		
During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**-**	36,245

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 Scheme disclosed in the statement of financial position as at 30 June 2011 or on the results and cash flows of the Scheme for the reporting period ended on that date.

14 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2011 and 30 June 2010.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 25 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Scheme's financial position as at 30 June 2011 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date; and

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

(c) the financial statements are in accordance with the Scheme Constitution.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

G. Gerstle.

Gary Gerstle
Managing Director

Sydney
28 September 2011

Independent auditor's report to the members of
Man AHL Alpha (AUD) Fund

Report on the financial report

We have audited the accompanying financial statements of Man AHL Alpha (AUD) Fund (the registered scheme), which comprise the statement of financial position as at 30 June 2011 and the statements of comprehensive income, statement of changes in equity and cash flows for the period then ended, a summary of significant accounting policies, other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the registered scheme are responsible for the preparation of financial statements that give a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. And for such internal control as the directors determine is necessary to enable the preparation of financial report that is free from material misstatement, whether due to fraud or error. In Note 2a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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Independent auditor's report to the members of Man AHL Alpha (AUD) Fund (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of Man AHL Alpha (AUD) Fund is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Registered scheme's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the Registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 2a.

PricewaterhouseCoopers

PricewaterhouseCoopers

Darren Ross
Partner

Sydney
28 September 2011