



ASIC

Australian Securities & Investments Commission

10 February 2015

**Mr Phillip Sweeney**  
**Via email: [foi+request-848-6c4004fb@righttoknow.org.au](mailto:foi+request-848-6c4004fb@righttoknow.org.au)**

Level 5, 100 Market Street,  
Sydney NSW 2000  
GPO Box 9827, Sydney NSW 2001  
DX 653 Sydney

Telephone: +61 2 9911 2000  
Facsimile: +61 2 9911 2414  
[www.asic.gov.au](http://www.asic.gov.au)

Dear Mr Sweeney,

**Request under the *Freedom of Information Act 1982* for access to documents**

I refer to your request under the *Freedom of Information Act 1982* (FOI Act) received by this office on 2 January 2015 in which you sought access to:

*... copies of any correspondence between the Chairman of ASIC (either Tony D'Aloisio or Greg Medcraft) or any other ASIC Officer and Dr Ken Henry in relation to allegations made against Trio Capital Limited (or any funds managed by Trio Capital) and the subsequent investigation conducted by ASIC in relation to Trio Capital Limited and the funds under its management.*

I am the authorised decision-maker for the purposes of s23 of the FOI Act.

I have identified four documents which come within the scope of your request. These are listed in the schedule to this letter.

**Relevant legislation**

Section 45(1) of the FOI Act provides

- (1) *A document is an exempt document if its disclosure under this Act would found an action, by a person (other than an agency, the Commonwealth or Norfolk Island), for breach of confidence.*

Section 47E(d) of the FOI Act provides

*A document is conditionally exempt if its disclosure under this Act would, or could reasonably be expected to, do any of the following:*

- .....  
(d) *have a substantial adverse effect on the proper and efficient conduct of the operations of an agency.*

Section 47F(1) of the FOI Act provides

- (1) *A document is conditionally exempt if its disclosure under this Act would involve the unreasonable disclosure of personal information about any person (including a deceased person).*

Section 47G(1)(b) of the FOI Act provides

- (1) *A document is conditionally exempt if its disclosure under this Act would disclose information concerning a person in respect of his or her business or professional affairs or concerning the business, commercial or financial affairs of an organisation or undertaking, in a case in which the disclosure of the information:*

.....  
*(b) could reasonably be expected to prejudice the future supply of information to the Commonwealth, Norfolk Island or an agency for the purpose of the administration of a law of the Commonwealth or of a Territory or the administration of matters administered by an agency.*

## **Section 22**

Section 22 of the FOI Act provides that if an agency or minister decides to refuse access to a document on the ground that it is exempt, the agency or minister must consider whether it would be reasonably practicable to prepare an edited copy of the document, which has been modified by relevant deletions, for release to the applicant. If the agency or minister decides that giving access to a document would disclose information that would reasonably be regarded as irrelevant to the request, consideration should be given to preparing an edited copy for release to the applicant. The decision maker should consider the nature and extent of the modifications required, the resources available to modify the document and whether the applicant would accept an edited copy.

## **Decision**

### ***Released documents***

I have decided to release the documents numbered 3 and 4 in the attached schedule. A copy of these documents is provided with this decision.

### ***Exempt documents***

I have decided not to release the documents numbered 1 and 2 on the schedule on the grounds that the documents are exempt from release under ss45(1), 47E(d), 47F(1) and 47G(1) of the FOI Act, for the reasons set out below.

### ***Documents exempt under s45(1)***

Section 45(1) of the FOI Act provides that a document is exempt if its disclosure would found an action by a person for breach of confidence. An agency can keep confidential information which has been communicated to it in circumstances giving rise to the obligation of confidence. An obligation of confidentiality may be express or implied.

Guidelines issued by the Office of the Australian Information Commissioner (OAIC) state that to found an action for breach of confidence (which means s45 would apply), the following criteria must be satisfied in relation to the information:

- it must be specifically identified
- it must have the necessary quality of confidentiality
- it must have been communicated and received on the basis of a mutual understanding of confidence
- it must have been disclosed or threatened to be disclosed, without authority
- unauthorised disclosure of the information has or will cause detriment

In my view, the relevant documents fulfil the above criteria in that:

- the documents have been identified and not simply referred to in global terms;
- the documents are confidential in character, being part of a category of documents which are not available for public inspection and the information therein was voluntarily provided to ASIC on the mutual understanding that it was given in confidence and it has been treated as in confidence by ASIC;
- The email attaching the document was marked *Protected*. The Australian Government Information Security Management Guidelines state that "The PROTECTED security classification should be used when the compromise of the confidentiality of information could be expected to cause damage to the National Interest, organisations or individuals";
- The information in the documents was provided to ASIC upon the express understanding that ASIC would preserve its confidentiality. Release of the documents may adversely affect the personal safety of persons and may expose persons to ridicule or public criticism.

I find that these documents are exempt from release under s45(1) of the FOI Act.

*Documents exempt under ss47E(d) and 47G(1)(b)*

Section 47E(d) conditionally exempts documents where disclosure could reasonably be expected to prejudice or have a substantial adverse effect on an agency's operations.

The OAIC guidelines state that:

*The exemption may also apply to documents that relate to a complaint made to an investigative body. The disclosure of this type of information could reasonably affect the willingness of people to make complaints to the investigative body, which would have a substantial adverse effect on the proper and efficient conduct of the investigative body's operations.*

Section 47G1(b) conditionally exempts documents where disclosure could reasonably be expected to prejudice the future supply of information to an agency for the purpose of the administration of matters administered by the agency.

I consider the disclosure of information communicated to ASIC in confidence would have a substantial adverse effect on the proper and efficient conduct of ASIC's operations and is likely to have the effect of discouraging the flow of intelligence and information to ASIC. I consider the disclosure of the documents which are conditionally exempt under s47E(d) and 47G(1)(b) is likely to have a negative impact on the willingness of people to supply confidential information and intelligence to ASIC, which would have a substantial adverse effect on the proper and efficient conduct of ASIC's operations.

*Documents exempt under s47F*

Section 47F provides that a document is conditionally exempt if its disclosure would involve the unreasonable disclosure of personal information of any person. For information to be personal information, the individual's identity needs to be apparent or reasonably ascertainable.

I find the documents contain personal information for the purposes of section 47F of the Act.

I find that the documents are exempt pursuant to s47F on the basis that their disclosure would involve the unreasonable disclosure of personal information in respect a person or persons who are named in the documents or whose identity may reasonably be determined from the information contained in the documents.

*Public Interest*

Sections 47E(d), 47F and 47G(1)(b) are conditional exemptions. The FOI Act provides that access must be given to a conditionally exempt document unless in the circumstances access would, on balance, be contrary to the public interest.

As required by s11A of the FOI Act, I have considered whether release of the documents would, on balance, be contrary to the public interest.

In particular, I have had regard to the following factors outlined in s11B(3) as being factors favouring access to the documents in the public interest:

- a) disclosure would promote the objects of the FOI – by increasing public participation in Government processes, with a view to promoting better informed decision making and increasing scrutiny, discussion, comment and review of the Government's activities;
- b) inform debate on a matter of public importance;
- c) promote effective oversight of public expenditure;
- d) allow a person to access his or her own personal information.

Of the above factors, I consider a) and b) to be relevant to the documents. These two factors weigh in favour of the documents being released.

Against the above factors must be balanced the factors against disclosure. The FOI Act does not specify any factors against disclosure in the public interest however the FOI Guidelines issued by the OAIC include a non-exhaustive list of thirteen such factors. These factors are that disclosure could reasonably be expected to:

- (a) prejudice a person's right to privacy;
- (b) prejudice the fair treatment of persons against whom unsubstantiated allegations of misconduct have been made;
- (c) prejudice security, law enforcement, public health or safety;
- (d) impede the administration of justice;
- (e) impede the protection of the environment;
- (f) impede the flow of information to the police or another law enforcement or regulatory agency;
- (g) prejudice an agency's ability to obtain confidential information;
- (h) prejudice an agency's ability to obtain similar information in the future;
- (i) prejudice the competitive commercial activities of an agency;
- (j) harm the interests of an individual or group of individuals;
- (k) prejudiced the conduct of investigations or audits by the Ombudsman or Auditor General;
- (l) prejudice the management function of an agency;
- (m) prejudice the effectiveness of testing or auditing procedures.

Of these factors I consider (a), (b), (c), (d), (g) and (h) are relevant to this decision.

I consider the disclosure of the documents which are conditionally exempt under s47E(d) and 47G(1)(b) is likely to have a negative impact on the willingness of people to supply confidential information and intelligence to ASIC, which would have a substantial adverse effect on the proper and efficient conduct of ASIC's operations.

With regard to s47F, I consider disclosure of the personal information in the documents would be unreasonable and considerably outweighs the public interest in disclosure of such information.

I have considered whether, pursuant to section 22 of the FOI Act, it is possible to release the documents with deletions such that the documents would no longer be exempt or contain irrelevant matter.

I have found that it is not possible to release the documents subject to deletions such that the documents would no longer be exempt.

### **Review Rights**

I provide you with the following information as required by section 26 of the FOI Act.

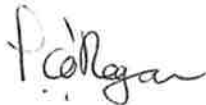
In the event that you are dissatisfied with the decision:

1. You may, within 30 days after the day on which you have been notified of this decision, apply in writing to ASIC for a review of my decision by another ASIC officer under section 54B of the FOI Act. This request should be

addressed to me or to the Senior Manager, Administrative Law GPO Box 9827 SYDNEY or by email to [foirequest@asic.gov.au](mailto:foirequest@asic.gov.au)

2. You may apply in writing to the Australian Information Commissioner for a review of my decision under section 54N of the FOI Act. Correspondence should be addressed to the Office of the Australian Information Commissioner at  
GPO Box 2999 Canberra ACT 2601 OR GPO Box 5218 Sydney NSW 2001.
3. You may lodge a complaint to the Commonwealth Ombudsman in respect to the conduct of ASIC in the handling of this request. To do so, you can contact the Ombudsman's office either: by e-mail to [ombudsman@ombudsman.gov.au](mailto:ombudsman@ombudsman.gov.au), by letter to GPO Box 442 Canberra ACT 2601, or by fax to (02) 6276 0123.

Yours faithfully



Paula O'Regan

Authorised decision-maker under subsection 23(1) of the FOI Act  
for the Australian Securities and Investments Commission

**SCHEDULE OF DOCUMENTS**

<b>No</b>	<b>Description of document</b>	<b>Date</b>	<b>No of folios</b>	<b>Decision on access</b>	<b>Relevant section</b>
1	Email K Henry to T D'Aloisio	15 Sept 2009	1	Exempt	45(1) 47E(d) 47F(1) 47G(1)(b)
2	Document attached to email K Henry to T D'Aloisio		4	Exempt	45(1) 47E(d) 47F(1) 47G(1)(b)
3.	Form 388 (financial statements and reports) attached to email K Henry to T D'Aloisio	29 Sept 2008	33	Release	
4.	Email T D'Aloisio to K Henry	15 Sept 2009	1	Release	

3



# Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

## Company/scheme details

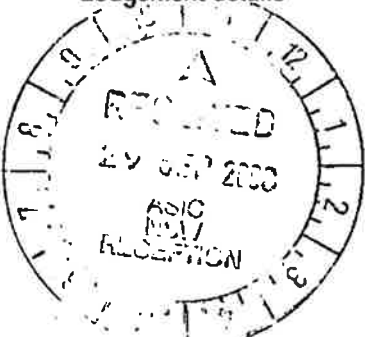
Company/scheme name

ALPHA STRATEGIC FUND

ACN/ARBN/ARSN/PIN/ABN

115 962 368

## Lodgement details



Who should ASIC contact if there is a query about this form?

Firm/organisation

ASTARQA CAPITAL LIMITED

Contact name/position description

FRANCES D. ETTY/RISE & COMPLIANCE MANAGER

ASIC registered agent number (if applicable)

27031

Telephone number

02 9220 3888

Postal address or DX address

SUITE 403, LEVEL 4, 70 CASTLEREAGH STREET

SYDNEY, NSW, 2000

## 1 Reason for lodgement of statement and reports

Tick appropriate box

- A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- A registered scheme (B)
- Amendment of financial statements or directors' report (company) (C)
- Amendment of financial statements or directors' report (registered scheme) (D)
- A large proprietary company that is not a disclosing entity (H)
- A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- A small proprietary company that is requested by ASIC to prepare and lodge statements and reports (J)
- A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins and ends

Financial year begins

01/07/07

[D] [D] [M] [M] [Y] [Y]

to

Financial year ends

30/06/08

[D] [D] [M] [M] [Y] [Y]



## 2 Details of large proprietary company

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

## 3 Auditor's report

Were the financial statements audited?

Yes

No

If no, is there a class order exemption current for audit relief?

Yes

No

If yes, does the auditor's report (s308) for the financial year contain a statement of:

Reasons for the auditor not being satisfied as to the matters referred to in s307?

Yes

No

Details of the deficiency, failure or shortcoming concerning any matter referred to in s307?

Yes

No

## 4 Details of current auditor or auditors

Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.

Auditor registration number (for individual auditor or authorised audit company)

273 727

Family name

FRAZER

Given name

TIMOTHY

or

Company name

ACN/ABN

or

Firm name (if applicable)

#### 4 Continued... Details of current auditor or auditors

Office, unit, level	
WHK Audit & Risk Assessment	
Street number and Street name	
491 SMOLLET STREET	
Suburb/City	State/Territory
ALBURY	NSW
Postcode	Country (if not Australia)
2640	
Date of appointment	
04, 01, 05	
[D] [D] [M] [M] [Y] [Y]	

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number (for individual auditor or authorised audit company)	
Family name	Given name
or	
Company name	
ACN/ABN	
or	
Firm name (if applicable)	
Office, unit, level	
Street number and Street name	
Suburb/City	State/Territory
Postcode	Country (if not Australia)

#### 5 Statements and reports to be attached to this form

Financial statements for the year (as per s295(2) and accounting standards)
<i>Income statement for the year</i>
<i>Balance sheet as at the end of the year</i>
<i>Statement of cash flows for the year</i>
<i>Statement of changes in equity or statement of recognised income and expense for the year</i>
<i>If required by accounting standards - the consolidated income statement, balance sheet, statement of cash flows and statement of changes in equity/statement of recognised income and expense</i>
Notes to financial statements (as per s295(3))
<i>Disclosures required by the regulations</i>
<i>Notes required by the accounting standards</i>
<i>Any other information necessary to give a true and fair view (see s297)</i>
The directors' declaration about the statements and notes (as per s295(4))
The directors' report for the year, including the auditor's independence declaration (as per s298 to s300A)
Auditor's report required under s308 and s314
Concise report (if any) (s314)

**Signature**


See Guide for details of signatory.

I certify that the attached documents marked (A) are a true copy of the original reports required to be lodged under s319 of the Corporations Act 2001.

Name

DAVID O'BRYEN

Signature



Capacity

Director

Company secretary

Date signed

25/09/08  
[D] [D] [M] [M] [Y] [Y]

**Lodgement**

Send completed and signed forms to:  
Australian Securities and Investments Commission,  
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by visiting the ASIC website  
[www.asic.gov.au](http://www.asic.gov.au)

For help or more information

Telephone 1300 300 630

Email [info.enquiries@asic.gov.au](mailto:info.enquiries@asic.gov.au)

Web [www.asic.gov.au](http://www.asic.gov.au)

A



**Alpha Strategic Fund  
ARSN 115 962 368**

**Annual Financial Report  
For The Year Ended 30 June 2008**

This is annexure "A" of 29 pages referred to in form  
388 Copy of financial statements and reports.

*2008*  
*David O'Byrne*  
*Director*  
*2-19/08*

## Alpha Strategic Fund

### Directors' report

The directors of Astarra Capital Limited ("the Responsible Entity"), the responsible entity of Alpha Strategic Fund managed investment scheme (the "Scheme"), present their report together with the financial report of the Scheme for the year ended 30 June 2008 and the auditor's report thereon.

#### Responsible Entity

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 1, 540 Swift Street, Albury, NSW, 2640.

The directors of the Responsible Entity during or since the end of the financial year and up to the date of this report are:

Name	Appointed	Resigned	Reappointed
David Andrews	15 November 2005	15 January 2006	13 July 2006
Rex Phillipott	12 October 2005		
Keith Finkelde	24 April 2007		
David O'Bryen	27 June 2007		
Natasha Beck	18 June 2008		
John Harte	16 January 2006	31 May 2008	

#### Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The investment activities of the Scheme continued to be in accordance with the investment policy of the Scheme as outlined in the current product disclosure statement and investments in each class of asset were maintained within the stated asset allocation ranges.

There have been no significant changes in the nature of the entity's activities during the year.

The Scheme did not have any employees during the year.

#### Review of operations

##### Results

The Scheme's net income from operations before finance costs for the current year was \$3,110,166 (2007: profit of \$3,142,204).

No distributions were paid or payable by the Scheme in respect of the 2008 and 2007 financial years.

## Alpha Strategic Fund

### Directors' report (continued)

#### Review of operations (continued)

##### Performance

The table below demonstrates the performance of the Scheme as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the past 2 years to 30 June 2008 and assumes all distributions were re-invested during that period. These are calculated after fees in accordance with IFSA Standard 6.0 Product Performance - calculation and presentation of returns.

Class A – Retail	2008	2007
Growth return	8.14%	15.41%
Distribution return	-	-
Total return	8.14%	15.41%
Redemption unit price (ex distribution) as at 30 June	\$1.292191	\$1.194936

Class B – Wholesale	2008	2007
Growth return	8.84%	16.07%
Distribution return	-	-
Total return	8.84%	16.07%
Redemption unit price (ex distribution) as at 30 June	\$1.291645	\$1.186773

The basis for valuation of the Scheme's assets is disclosed in Note 3 to the financial statements.

##### Interests of the Responsible Entity

The following fees were paid to Astarra Capital Limited out of Scheme property during the financial year:

	Scheme	
	2008	2007
	\$	\$
Responsible Entity fees paid directly by the Scheme	138,022	78,807
Reimbursable expenses	60,343	33,234
Investment manager fees	241,372	133,015
Performance fees	-	280,850

The Responsible Entity and its associates have not held any units in the Scheme during the financial year.

##### Significant changes in the state of affairs

In the opinion of the Responsible Entity there were no other significant changes in the state of affairs of the Scheme that occurred during the financial year.

##### Likely developments

The Scheme will continue to pursue its policy of increasing returns through active investment selection.

Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

## **Alpha Strategic Fund**

### **Directors' report (continued)**

#### **Environmental regulation**

The Scheme's operations are not subject to any significant environmental regulation under a Commonwealth, State or Territory legislation.

#### **Events subsequent to balance date**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

#### **Indemnities and insurance premiums for Officers or Auditors**

##### *Indemnification*

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

The Scheme has not indemnified any auditor of the Scheme.

##### *Insurance premium*

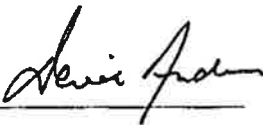
No insurance premiums are paid out of the Scheme's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or the auditors of the Scheme.

#### **Lead Auditor's independence declaration**

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the year ended 30 June 2008.

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

Dated at Sydney this 24th day of September 2008.



David Andrews  
Director of Astarra Capital Limited

**Lead auditor's independence declaration under Section 307C of the Corporations Act 2001**

To: the directors of Astarra Capital Limited, the responsible entity of Alpha Strategic Fund.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



WHK Audit & Risk Assessment



Timothy S Frazer  
Partner

Sydney

24 September 2008

*Total Financial Solutions*

Members' rights in Horwath International Association, a sister entity.  
Each member of the Association is a separate and independent legal entity.

**Member Horwath International**

WHK Audit & Risk Assessment Pty Ltd ABN 16 673 023 918  
491 Smollett Street Albury NSW 2640 Australia  
PO Box 500 Albury NSW 2640 Australia  
Telephone +61 2 6021 1111 Facsimile +61 2 6041 1892  
A WHK Group firm



## Alpha Strategic Fund

### Balance Sheet As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Assets</b>			
Cash and cash equivalents	5, 10	481,288	4,118,321
Financial assets held at fair value through profit and loss:			
Equity investments and units in unlisted schemes	5, 12	42,015,908	26,553,429
Loans and receivables:			
Interest, dividends and other receivables	5	519,236	7,023
<b>Total assets</b>		<b>43,016,432</b>	<b>30,678,773</b>
<b>Liabilities</b>			
Financial liabilities measured at amortised cost:			
Payables	5, 13	75,806	174,740
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>75,806</b>	<b>174,740</b>
<b>Net assets attributable to unitholders</b>	4	<b>42,940,626</b>	<b>30,504,033</b>
Represented by:			
Net assets attributable to unitholders at redemption price		42,940,626	30,504,033
Adjustments arising from different unit pricing and AIFRS valuation principles		-	-

The above balance sheet should be read in conjunction with the accompanying notes to the financial statements.

## Alpha Strategic Fund

### Income Statement

For the financial year ended 30 June 2008

	Note	2008 \$	2007 \$
Interest income	6	237,425	146,546
Net changes in fair value of investments	7	3,312,478	3,521,564
<b>Net investment income</b>		<b>3,549,903</b>	<b>3,668,110</b>
Responsible Entity fees	15	198,365	112,041
Investment manager fees	15	241,372	133,015
Performance fees	15	-	280,850
<b>Operating expenses before finance costs</b>		<b>439,737</b>	<b>525,906</b>
<b>Profit from operating activities</b>		<b>3,110,166</b>	<b>3,142,204</b>
<b>Finance costs</b>			
Distribution expense to unitholders		-	-
<b>Total finance costs</b>		<b>-</b>	<b>-</b>
<b>Change in net assets attributable to unitholders</b>	4	<b>3,110,166</b>	<b>3,142,204</b>
<b>Net profit/(loss)</b>		<b>-</b>	<b>-</b>

The above income statement should be read in conjunction with the accompanying notes to the financial statements.

### Statement of recognised income and expense

As the Scheme has no equity, the Scheme has not included any items of recognised income and expense for the current or comparative year.

## Alpha Strategic Fund

### Cash Flow Statement For the year ended 30 June 2008

	Note	2008 \$	2007 \$
<b>Cash flows from operating activities</b>			
Interest received		237,425	146,546
Responsible Entity fees and reimbursable expenses paid		(208,398)	(106,705)
Investment manager fees paid		(370,183)	(399,586)
Net cash flows from operating activities	11	<u>(341,156)</u>	<u>(359,745)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		-	-
Purchase of investments		(12,650,001)	(9,500,025)
Net cash flows from investing activities		<u>(12,650,001)</u>	<u>(9,500,025)</u>
<b>Cash flow from financing activities</b>			
Proceeds from issue of redeemable units		24,240,119	17,893,618
Payments on redemption of redeemable units		(14,885,995)	(5,104,068)
Distributions paid		-	(162,245)
Net cash flows from financing activities		<u>9,354,124</u>	<u>12,627,305</u>
Net increase / (decrease) in cash and cash equivalents		(3,637,033)	2,767,535
Cash and cash equivalents at 1 July		4,118,321	1,350,786
Cash and cash equivalents at 30 June	10	<u>481,288</u>	<u>4,118,321</u>

The above cash flow statement should be read in conjunction with the accompanying notes to the financial statements.

# Alpha Strategic Fund

## Notes to the financial statements

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# Alpha Strategic Fund

## Notes to the financial statements

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### 1. Reporting entity

Alpha Strategic Fund (the "Scheme") is a registered managed investment scheme under the Corporations Act 2001. The financial report of the Scheme is for the year ended 30 June 2008.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Scheme complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the directors of the Responsible Entity on 24 September 2008.

#### (b) Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in Note 14 financial instruments.

#### Key sources of estimation uncertainty

Note 14 contains information about the estimation of fair values of financial instruments.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Scheme has elected to early adopt the accounting standard AASB 8 *Operating Segments*. The impact of early adoption of this standard has been to remove disclosures previously presented under AASB 114 *Segment Reporting*.

#### (a) Foreign currency translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate ruling at the balance sheet date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains and losses on investments and net gain/(loss) on derivatives, respectively. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the income statement.

# Alpha Strategic Fund

## Notes to the financial statements

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### 3. Significant accounting policies (continued)

#### (b) Financial instruments

##### (i) Classification

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments held-for-trading. These include futures, forward contracts, options, interest rate swaps and liabilities from short sales of financial instruments. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities held-for-trading.
- 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 include investments in fixed interest, equity instruments and units in unlisted managed investment schemes. The fair value through profit or loss classification is in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The fair value through profit or loss classification is available for the majority of the financial assets held by the Scheme and the financial liabilities arising from the units on issue must be fair valued. Therefore, not fair valuing the financial assets used in calculating the fair value of the liability would result in an accounting mismatch. In addition, the Scheme's performance and risk management are assessed on a fair value basis.
- Financial instruments designated at fair value through the profit or loss are not reclassified.

Financial assets that are classified as loans and receivables include balances due from brokers and accounts receivable.

Financial liabilities that are not at fair value through profit or loss include balances due to brokers and accounts payable.

##### (ii) Recognition

The Scheme recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 139.

##### (iii) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, 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 at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities arising from the redeemable units issued by the Scheme are carried at the redemption amount representing the investors' right to a residual interest in the Scheme's assets, effectively fair value at reporting date.

# Alpha Strategic Fund

## Notes to the financial statements

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### 3. Significant accounting policies (continued)

#### (b) Financial instruments (continued)

##### (iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, 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 is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price / earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Specifically, the fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date; and the fair value of an option contract is determined by applying the Black-Scholes option valuation model. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Investments in other unlisted managed investment schemes are recorded at the exit price as reported by the managers of such schemes.

##### (v) Specific Instruments

###### Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

###### Derivative financial instruments

The Scheme may use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from investment activities. In accordance with its investment strategy, the Scheme does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

# Alpha Strategic Fund

## Notes to the financial statements

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### 3. Significant accounting policies (continued)

#### (c) Interest income

Interest income and expense is recognised in the income statement as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on debt instruments at fair value through profit or loss is accrued using the effective interest method and classified to the interest income line item within the income statement. Interest income is recognised on a gross basis, including withholding tax, if any.

#### (d) Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the income statement on the ex-dividend date.

In some cases, the Scheme may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Scheme recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

Income distributions from private equity investments and other managed investment schemes are recognised in the income statement as dividend income when declared.

#### (e) Expenses

All expenses, including management fees and custodian fees, are recognised in the income statement on an accrual basis.

#### (f) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the profit or loss line item 'Net foreign exchange loss' are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

#### (g) Distribution and taxation

Under current legislation the Scheme is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains.

#### (h) Redeemable units

All redeemable units issued by the Scheme provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the product disclosure document the Scheme is contractually obliged to redeem units at redemption price, which includes an allowance for transaction costs that would be incurred by the Scheme on disposal of its assets required to fund the redemptions. As a result of the transaction cost factor, there will be a difference between the carrying amount of the net assets of the Scheme (excluding the unitholders' funds classified as a financial liability) and the contractual amount payable to unitholders which is based on the redemption price. The adjustments arising from different unit pricing and AIFRS valuation principles are presented in the balance sheet as part of the net assets attributable to unitholders.

#### (i) Unit prices

The unit price is based on unit price accounting outlined in the Scheme's Constitution and product disclosure statement.



## Alpha Strategic Fund

### Notes to the financial statements

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#### 3. Significant accounting policies (continued)

##### (j) Finance costs

Distributions paid and payable on units are recognised in the income statement as finance costs and as a liability where not paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

##### (k) Change in net assets attributable to unitholders

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as a change in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

##### (l) Goods and services tax

Expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in receivables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis.

##### (m) New accounting standards and interpretations

The following standards and amendments to standards have been identified as those which may impact the Scheme in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing these financial statements.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standards does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Scheme's 30 June 2010 financial statements. The Scheme has not yet determined the potential effect of the revised standard on the Scheme's disclosures.
- AASB 2008-02 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation*. AASB 2008-02 changes the definition of a financial liability requiring puttable instruments that meet certain conditions to be classified as equity. AASB 2008-02 is effective for years beginning on or after 1 January 2009. The Scheme has not yet determined the potential effect of the revised standard on the Scheme's disclosures.

## Alpha Strategic Fund

### Notes to the financial statements

#### 4. Net assets attributable to unitholders

The Scheme considers its capital to be Unitholders' Funds. The Scheme manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as capital.

The objective of the Scheme is to provide unitholders with returns in accordance with the Product Disclosure Statement ("PDS"). The Scheme aims to deliver this objective mainly through investing in a diversified portfolio in accordance with the limitations set by the PDS. The Scheme may also use derivatives to hedge its exposures to certain investments.

The Scheme strives to invest in products that meet the Scheme's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

Class A - Retail	2008		2007	
	No.	\$	No.	\$
Opening balance	13,528,638	16,165,857	3,997,850	4,139,229
Applications				
• Cash	5,868,466	7,187,284	10,267,584	11,525,645
• Reinvested distribution	-	-	113,669	117,703
Redemptions	(1,299,476)	(1,607,856)	(850,465)	(954,402)
Change in net assets attributable to unitholders	-	1,640,308	-	1,337,682
Closing balance	18,097,628	23,385,593	13,528,638	16,165,857

As per the Scheme's PDS the retail class unitholder must make an initial minimum investment of \$1,000, with further minimum investments of \$1,000. The retail class unitholder is entitled to minimum withdrawals of \$1,000 whilst maintaining a minimum holding of \$1,000. The retail class units are charged a combined Responsible Entity and investment management fee of 1.4% pa.

Class B - Wholesale	2008		2007	
	No.	\$	No.	\$
Opening balance	12,081,653	14,338,176	9,321,268	9,530,518
Applications				
• Cash	13,745,819	17,052,835	5,577,917	6,367,973
• Reinvested distribution	-	-	773,648	791,015
Redemptions	(10,687,844)	(13,305,834)	(3,591,180)	(4,155,852)
Change in net assets attributable to unitholders	-	1,469,857	-	1,804,522
Closing balance	15,139,628	19,555,034	12,081,653	14,338,176

As per the Scheme's PDS the wholesale class unitholder must make an initial minimum investment of \$500,000, with further minimum investments of \$10,000. The wholesale class unitholder is entitled to minimum withdrawals of \$10,000 whilst maintaining a minimum holding of \$100,000. The wholesale class units are charged a combined Responsible Entity and investment management fee of 0.8% pa.

Apart from the matters disclosed above, all units in both classes of the Scheme carry equal rights. Under the Scheme constitution, each unit represents a right to the underlying assets of the Scheme.

## Alpha Strategic Fund

### Notes to the financial statements

#### 5. Financial assets and liabilities

The following table details the categories of financial assets and liabilities held by the Scheme at the reporting date:

	2008 \$	2007 \$
<b>Assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
<i>Designated at fair value through profit and loss upon initial recognition</i>		
Equity investments	42,015,908	26,553,429
<i>Total designated at fair value through profit or loss upon initial recognition</i>	<u>42,015,908</u>	<u>26,553,429</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>42,015,908</u>	<u>26,553,429</u>
<b>Loans and receivables</b>	<u>1,000,524</u>	<u>4,125,344</u>
<b>Total assets</b>	<u>43,016,432</u>	<u>30,678,773</u>
<b>Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>	<u>(75,806)</u>	<u>(174,740)</u>
<b>Total liabilities</b>	<u>(75,806)</u>	<u>(174,740)</u>

Loans and receivables presented above represents cash and cash equivalents, interest, dividends and other receivables as detailed in the balance sheet.

Financial liabilities measured at amortised cost presented above accounts payable and accrued expenses as detailed in the balance sheet.

## Alpha Strategic Fund

### Notes to the financial statements

#### 6. Interest income

The following table details the interest income earned by the Scheme during the year:

	2008 \$	2007 \$
Interest income from financial assets that are not at fair value through profit or loss:		
Cash and cash equivalents	237,425	146,546
<b>Total interest income</b>	<b>237,425</b>	<b>146,546</b>

#### 7. Gains and losses from financial assets and liabilities designated at fair value through profit and loss

The following table details the gains and losses from financial assets and liabilities at fair value through the profit and loss for the year ended:

	2008 \$	2007 \$
Designated at fair value through profit and loss		
Equity investments and units in unlisted schemes	3,312,478	3,521,564
<b>Net gain/(loss) from financial assets and liabilities designated at fair value through profit or loss</b>	<b>3,312,478</b>	<b>3,521,564</b>
<b>Net gain/(loss) from financial assets and liabilities at fair value through profit or loss</b>	<b>3,312,478</b>	<b>3,521,564</b>

Gains and losses presented above excludes interest income and interest expense.

#### 8. Interest, dividends and other receivables

	2008 \$	2007 \$
Investment purchase refund	500,000	-
Other receivables	19,236	7,023
	<b>519,236</b>	<b>7,023</b>

## Alpha Strategic Fund

### Notes to the financial statements

#### 9. Auditors' remuneration

	2008	2007
	\$	\$
<b>Audit services</b>		
Auditors of the Scheme – WHK:		
• Audit and review of the financial reports	8,784	-
Auditors of the Scheme – KPMG:		
• Audit and review of the financial reports	8,434	6,950
<b>Other services</b>		
Auditors of the Scheme – WHK:		
• Taxation services	499	-
Auditors of the Scheme – KPMG:		
• Other assurance services	533	2,783
• Taxation services	571	563
	18,821	10,296

These expenses have been paid by the Responsible Entity from the expense recovery fees.

#### 10. Cash and cash equivalents

	2008	2007
	\$	\$
Current deposits with banks	481,288	4,118,321

#### 11. Reconciliation of cash flows from operating activities

	2008	2007
	\$	\$
Profit from operating activities	3,110,166	3,142,204
<b>Add/(less) non cash items:</b>		
• Net (gain)/loss on investments	(3,312,478)	(3,521,564)
<b>Changes in operating assets and liabilities</b>		
• (Decrease)/increase in payables	(126,631)	24,483
• (Increase)/decrease in receivables	(12,213)	(4,868)
	(341,156)	(359,745)

#### 12. Investments

	2008	2007
	\$	\$
<b>Equity investments and units in unlisted schemes</b>		
Exposure agreement with EMA International Limited	42,015,908	26,553,429

The exposure agreement with EMA International Limited ("EMA") will provide the Scheme with investments in offshore global markets, specifically hedge funds. The agreement is a deferred purchase agreement which specifies that EMA agrees to sell the Delivery Asset Parcel to the Manager on a deferred basis, in accordance with the Master Deferred Purchase Agreement and supplemental agreements, for the benefit of the Scheme.

# Alpha Strategic Fund

## Notes to the financial statements

### 13. Payables

	2008	2007
	\$	\$
Redemptions payable	30,758	-
Responsible Entity fees payable	18,430	16,250
Investment management fees payable	22,150	150,961
Adviser service fee payable	4,468	7,529
	<u>75,806</u>	<u>174,740</u>

### 14. Financial instruments

#### Overview

The Scheme's assets principally consist of financial instruments accessing specialist absolute return funds. It holds these investment assets at the discretion of the Scheme's Investment Manager in accordance with its published investment strategy. The assets of this investment pool will be invested to allow maximum flexibility and will be accessed via a master deferred purchase agreement with EMA International Limited. However, from time to time, the Responsible Entity and/or the appointed Investment Managers may retain a cash holding (not expected to exceed 5%).

The allocation of assets as between the various types of financial instruments described above is determined by the Scheme's Investment Manager who manages the Scheme's portfolio of assets to achieve the Scheme's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Scheme's Investment Manager on at least a monthly basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Board has established a Risk and Compliance Committee, which is responsible for developing and monitoring the Scheme's risk management policies, including those related to its investment activities. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's Investment Manager, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Investment Committee receives quarterly management reports from the Scheme's Investment Manager and, in turn, reports quarterly to the Board of Directors of the Responsible Entity on its activities. Reports from the Scheme's Investment Manager include details of the controls it has in place to monitor compliance with the Scheme's investment strategy, training and personnel management standards and procedures, and details of how the Investment Manager develops and maintains a disciplined and constructive control environment in which its employees understand their roles and obligations.

## Alpha Strategic Fund

### Notes to the financial statements

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#### 14. Financial instruments (continued)

##### Overview (continued)

The Risk and Compliance Committee oversees how management monitors compliance with the Scheme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme. A representative from the Scheme's external compliance plan auditor attends all Risk and Compliance meetings which are held at least twice a year and usually four times a year. Quarterly health checks are sent to all senior managers for completion to ensure the Scheme's compliance plan is adhered to. The Responsible Entity formally reviews the compliance plan every two years unless the circumstances change.

##### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Scheme's strategy on the management of the investment risk is driven by the Scheme's investment objective. The Scheme's investment objective is to provide investors with consistent long-term capital appreciation in both rising and falling market conditions. Over the long term, the Scheme is aiming to produce returns closely matching equity markets with less volatility risk.

The Responsible Entity manages the risk related to market risk through the selection of an external investment manager who, in turn, hold diversified portfolio of other hedge funds and who has expertise in managing investments of this nature.

##### *Currency risk*

The Scheme does not directly invest in financial instruments and enter into transactions denominated in currencies other than in their functional currency. Consequently the Scheme is not exposed to currency risk directly. The Scheme is indirectly exposed to currency risk via an exposure agreement with EMA International Limited ("EMA") who will provide the Scheme with investments in offshore global markets, specifically hedge funds.

The Scheme's strategy on the management of currency risk is driven by the Scheme's investment objective. The Scheme's currency risk is managed on a monthly basis by the Investment Manager in accordance with the investment guidelines as outlined in the Scheme's product disclosure statement.

The currency risk disclosures have been prepared on the basis of information available to the Responsible Entity. Exact indirect currency exposures are not available to the Responsible Entity. As such the currencies of those financial assets and liabilities denominated in currencies other than in their functional currency cannot be identified.

The total financial assets dominated in currencies other than in their functional currency as at 30 June 2008 was \$42,015,908 (2007: \$26,553,429)

##### *Sensitivity analysis*

The currency sensitivity is not able to be determined, as the majority of investment assets are accessed via an exposure agreement with EMA and indirect information is not available to the Responsible Entity. A strengthening of the AUD against the foreign currencies results in the capital value of the deferred purchase agreements to fall. A weakening of the AUD would have an opposite effect. The extent to which such currency fluctuations would impact on the underlying investments would range across the portfolio.

# Alpha Strategic Fund

## Notes to the financial statements

### 14. Financial instruments (continued)

#### (a) Market risk (continued)

##### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Scheme's financial assets are non-interest-bearing. As such there is no significant direct interest rate risk in this Scheme.

##### *Other market price risk*

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Scheme's financial instruments are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect Net investment income.

Price risk is mitigated by the Scheme's Investment Manager by constructing a diversified portfolio of instruments traded on various markets. In addition, price risk may be hedged using derivative financial instruments such as options or futures.

Under normal circumstances the Scheme will invest in the following instruments:

Hedge funds Up to 100% of investment assets

The following table details the breakdown of the investment assets and liabilities held by the Scheme:

<i>All amounts stated in AUD</i>	2008	2007
	% of net assets	% of net assets
<b>Investment assets</b>		
Equity Investments:		
Hedge funds	97.85	87.05
<b>Total investment assets</b>	97.85	87.05

##### *Sensitivity analysis – other market price risk*

All of the Scheme's equity investments are held via exposure agreements with EMA International Limited. A 3% increase in the entire portfolio of underlying funds at the reporting date would have increased the net assets attributable to unitholders and the profit from operating activities by \$1,260,477 (2007: \$796,603); an equal change in the opposite direction would have decreased the net assets attributable to unitholders by an equal but opposite amount.

#### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme. The Scheme's Investment Manager has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis according to their Investment Manager agreement or governing disclosure document.



## Alpha Strategic Fund

### Notes to the financial statements

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#### 14. Financial instruments (continued)

##### (b) Credit risk (continued)

The Responsible Entity appoints the Investment Manager via its Investment Committee to minimise any concentrations of credit. The Investment Manager comprise of an investment portfolio of diversified assets in accordance with their Investment Management agreement or governing disclosure document.

As all financial assets are accessed via the exposure agreement with EMA International Limited (EMA), a counter party risk exists due to the concentration of the Schemes assets via one party. The risk includes the possibility of EMA failing to perform its obligations under the deferred purchase agreement. This may result in possible loss of income, principal invested or delays in repayment. The Responsible Entity manages this risk via its appointed Investment Manager who monitors EMA, ensuring EMA does not enter into other transactions or business outside the deferred purchase agreement.

At 30 June 2008, the financial assets exposed to credit risk were its equity investments and other receivables. Total carrying amount of financial assets exposed to credit risk amounted to \$42,535,144 (2007: \$26,560,452).

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

Substantially all of the cash held by the Scheme is held with the ANZ Bank. Bankruptcy or insolvency by the ANZ Bank may cause the Scheme's rights with respect to the cash held by ANZ Bank to be impacted. The Scheme monitors its risk by performing quarterly health checks that verify the minimum capital requirements as required under the Corporations Law for ANZ Bank to act as the Scheme's custodian.

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 30 June 2008 or 30 June 2007.

##### (c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's constitution and Product Disclosure Statement provides for the monthly application and redemptions of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time.

The Scheme's financial instruments include investments in equity investments. These financial assets are not considered highly liquid due to their indirect exposure to hedge funds via the deferred purchase agreement.

The Scheme's liquidity risk is managed on a weekly and monthly basis by monitoring cash levels in the Scheme to ensure normal sufficient liquidity to meet the needs of unitholders.

The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining a constant pool of cash to satisfy usual levels of demand and placing restrictions on redemptions. In that all redemption requests must be received at least 30 days prior to the last business day of the month. If receipt is after this time, the redemption request will be processed using the unit price applicable in the following month.

The Responsible Entity can delay payment of redemptions for up to 60 days or such other period as considered reasonable if it receives a redemption request greater than 10% of the value of the net assets of the Scheme.

The Scheme's overall liquidity risks are monitored on a quarterly basis by the Investment Committee. It is the Investment Manager's policy to have liquid assets equal to 100% of anticipated redemptions.

## Alpha Strategic Fund

### Notes to the financial statements

#### 14. Financial instruments (continued)

##### (c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Contractual cash flows	Less than 1 month	1-3 months	3 months to a year	On call
<b>2008</b>					
<b>Financial liabilities including derivatives settled net</b>					
Accounts payable	(75,806)	(75,806)	-	-	-
Net assets attributable to unitholders – liability	(42,940,626)	-	-	-	(42,940,626)
	Contractual cash flows	Less than 1 month	1-3 months	3 months to a year	On call
<b>2007</b>					
<b>Financial liabilities including derivatives settled net</b>					
Accounts payable	(174,740)	(174,740)	-	-	-
Net assets attributable to unitholders – liability	(30,504,033)	-	-	-	(30,504,033)

##### (d) Estimation of fair values

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in note 3 (b)(iv) of the Significant accounting policies section.

At 30 June 2008, the carrying amounts of debt and equity investments with fair values determined directly, in full or in part, by reference to published price quotations amounted to \$Nil (2007: \$Nil). The carrying amount of debt and equity investments for which fair values were determined using valuation techniques amounted to \$42,015,908 (2007: \$26,553,429).

#### 15. Related parties

##### Controlling entity

There are no controlling entities of the Scheme for the 2008 reporting period (2007: no controlling entities).

##### Responsible Entity

The Responsible Entity of the Alpha Strategic Fund is Astarra Capital Limited (ABN 33 001 277 256) whose immediate and ultimate Australian holding company is Astarra Funds Management Limited (ABN 19 098 220 467) and Wright Global Asset Management Pty Ltd (ABN 89 105 796 754) respectively.

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel (KMP). The directors of Astarra Capital Limited are the key management personnel of the Responsible Entity and their names are David Andrews, Rex Phillipott, Keith Finkelde, David O'Bryen, Natasha Beck (appointed 18 June 2008) and John Harte (resigned 31 May 2008).

No compensation is paid directly by the Scheme to any key management personnel of the Responsible Entity.

## Alpha Strategic Fund

### Notes to the financial statements

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#### 15. Related parties (continued)

##### Responsible Entity fees and other transactions

	Fair value 2008 \$	Fair value 2007 \$
Responsible Entity fees paid directly by the Scheme (net of rebates)	138,022	78,807
Fees payable to the Responsible Entity as at the reporting date (included in accounts payable)	12,892	12,299
Reimbursable expenses paid directly by the Scheme	60,343	33,234
Reimbursable expenses payable to the Responsible Entity as at the reporting date	5,538	3,951
Investment manager fees paid directly by the Scheme (net of rebates)	241,372	133,015
Fees payable to the Investment manager as at the reporting date (included in accounts payable)	22,150	15,802
Performance fees paid directly by the Scheme (net of rebates)	-	280,850
Performance fees payable to the Investment manager as at the reporting date (included in accounts payable)	-	135,159

Where the Scheme invests in other schemes operated by the Responsible Entity, the Responsible Entity has rebated its fee to the Scheme to ensure that there is no duplication of fees recovered from the other schemes.

##### Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Astarra Capital Limited or its 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.

## Alpha Strategic Fund

### Notes to the financial statements

#### 15. Related parties (continued)

##### Related party investments held by the Scheme

The Scheme has no investment in the Responsible Entity or its associates.

The Scheme did not purchase or sell units in other approved schemes managed by Astarra Capital Limited or its associates in the financial year (2007: Nil).

##### Units in the Scheme held by related parties

Details of holdings in the Scheme by Astarra Capital Limited and other schemes operated by Astarra Capital Limited are set out below:

Scheme Name	Units held	Net fair value \$	Interest held %	Units purchased \$	Units sold \$	Distribution paid / payable \$
<b>30 June 2008</b>						
Astarra Overseas Equities Pool	-	-	-	2,800,000	10,980,299	-
Astarra Diversified Fund No. 4 Pool	450,531	581,926	1.36	300,000	173,701	-
Astarra Superannuation Plan	2,963,772	3,853,976	8.98	3,441,300	1,486,000	-
Astarra Personal Pension Plan	6,933,561	8,955,703	20.86	6,725,000	150,000	-
Astarra Pooled Superannuation Trust	225,086	290,731	0.68	410,000	137,000	-
	<b>10,592,950</b>	<b>13,682,336</b>	<b>31.88</b>	<b>13,676,300</b>	<b>12,927,000</b>	<b>-</b>
<b>30 June 2007</b>						
Astarra Overseas Equities Pool	6,597,667	7,829,930	25.67	791,015	4,047,000	-
Astarra Diversified Fund No. 4 Pool	345,607	410,157	1.34	400,000	-	-
Astarra Superannuation Plan	1,365,958	1,621,082	5.31	1,600,600	-	-
Astarra Personal Pension Plan	1,639,489	1,945,700	6.38	1,835,000	-	-
	<b>9,948,721</b>	<b>11,806,869</b>	<b>38.70</b>	<b>4,626,615</b>	<b>4,047,000</b>	<b>-</b>

##### Units in the Scheme held by other related parties

At 30 June 2008 no directors or key management personnel of the Responsible Entity held units in the Scheme (2007: Nil).

##### Key management personnel remuneration

Key management personnel are paid by Astarra Funds Management Pty Limited, the parent entity of the Responsible Entity. Payments made from the Scheme to the Responsible Entity do not include any amounts directly attributable to key 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.

##### Other transactions within the Scheme

Apart from those details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous year and there were no material contracts involving directors' interests subsisting at year end.

## **Alpha Strategic Fund**

### **Notes to the financial statements**

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**16. Commitments and contingent assets and liabilities**

As at the reporting date, there are no contingent assets or contingent liabilities.

**17. Events subsequent to reporting date**

No significant events have occurred since balance date which would impact the financial position of the Scheme disclosed in the balance sheets as at 30 June 2008 or on the results and cash flows of the Scheme for the year ended on that date.

## Alpha Strategic Fund

### Directors' Declaration

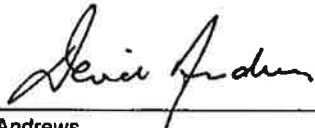
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In the opinion of the Directors of Astarra Capital Limited, Responsible Entity of Alpha Strategic Fund managed investment scheme:

1. The financial statements and notes set out on pages 5 to 25 are in accordance with the Corporations Act 2001, including:
  - (a) Giving a true and fair view of the financial position of the Scheme as at 30 June 2008 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date; and
  - (b) Complying with Australian Accounting Standards and the Corporations Regulations 2001; and
2. The financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a); and
3. There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 24th day of September 2008.

Signed in accordance with a resolution of the Directors of Astarra Capital Limited.



David Andrews  
Director

## **Independent auditor's report to the unitholders of Alpha Strategic Fund**

### **Report on the financial report**

We have audited the financial report of Alpha Strategic Fund ('the Scheme'), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory Notes 1 to 17 and the directors' declaration.

### **Directors' responsibility for the financial report**

The directors of Astarra Capital Limited ('the Responsible Entity') are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2a, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial statements*, that the financial report, comprising the financial statements and notes, complies 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 Scheme'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 Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Scheme's financial position, and of its performance.

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

*Total Financial Solutions*

Horwath refers to Horwath International Association, a Swiss entity.  
Each member of the Association is a separate and independent legal entity.

**Member Horwath International**

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491 Smellitt Street Albury NSW 2640 Australia  
PO Box 500 Albury NSW 2640 Australia  
Telephone +61 2 6021 1111 Facsimile +61 2 6041 1892  
A WHK Group firm



**Auditor's opinion**

In our opinion:

- (a) the financial report of Alpha Strategic Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2008 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.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

WHK Audit & Risk Assessment

Timothy S Frazer  
*Partner*

Sydney

24 September 2008

.....  
*Total Financial Solutions*

Horwath refers to Horwath International Association, a Swiss entity.  
Each member of the Association is a separate and independent legal entity.

.....  
**Member Horwath International**

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**Matter referred [SEC=IN-CONFIDENCE]**  
**Tony D'Aloisio** to: Henry, Ken  
Cc: "Martine, David"

15/09/2009 06:25 PM

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**Confidential Communication**

Dear Ken,

In response to your email of 15/09/2009 relating to referred matter, I assure you we will examine it carefully.

Kind regards,

Tony

**Tony D'Aloisio** | Chairman | **ASIC** | Sydney | ☎ +61 2 9911 2002 | 📠 +61 2 9911 2010 | 📠 +61 418 340 713 |  
✉ [tony.d'aloisio@asic.gov.au](mailto:tony.d'aloisio@asic.gov.au)