trust

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26 February 2010

Alternative Investment Trust (AIQ)
ASX RELEASE

Permanent Investment Management Limited ACN 003 278 831 AFSL 235 150 is the Responsible Entity (Permanent) of AIQ.

Permanent attaches the release of the Audited Financial Statements for the year end 31 December 2009, accompanying Appendix 4E and announcement of upcoming unitholder information meeting.

For and on behalf of
Permanent Investment Management Limited as Responsible Entity of the Alternative Investment Trust

Vicki Allen
Director

APPENDIX 4E

Annual Report
For the year ended 31 December 2009

Name of entity:	**Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)**

1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

Current Reporting Period:	**12 months to 31 December 2009**
Previous Corresponding Period	12 months to 31 December 2008

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		2009 A$'000	2008 A$'000
2.1	Investment loss	down 82.7% to (47,955)	(277,370)
2.2	Change in net assets attributable to unitholders *	down 80.75% to (60,001)	(311,656)
2.3	Loss attributable to unitholders *	down 80.75% to (60,001)	(311,656)

* excludes loss attributable to minority interest

		Amount per security	Tax deferred	Amount per security	Tax deferred
2.4	Distributions:				
	Final distribution	-	-	-	-
	Interim distribution	-	-	-	-

2.5 Record date for determining entitlements to the final 2009 distribution - 31 December 2009

No distribution was declared or paid for the year ended 31 December 2009.

3 NET TANGIBLE ASSETS PER SECURITY

NTA per security as at 31 December 2009 (Ex distribution)	**$1.46**
NTA per security as at 31 December 2008 (Ex distribution)	$1.04

This report is based on the consolidated annual report which has been subject to a review by Ernst & Young.

Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

ARSN 112 129 218

Financial Report for the Year Ended 31 December 2009

Contents

DIRECTORS' REPORT

The directors of Permanent Investment Management Limited (PIML or the Responsible Entity of Alternative Investment Trust (formerly Everest Babcock & Brown Alternative Investment Trust) (AIT)), present their report together with the consolidated financial report of AIT and its controlled entities for the year ended 31 December 2009.

RESPONSIBLE ENTITY

Everest Capital Investment Management Limited (ECIML or Former Responsible Entity) (ABN 96 112 731 978; AFL 288360) ceased to be the Responsible Entity for AIT on 5 February 2009. The change in Responsible Entity occurred as a result of a resolution passed at a meeting of unitholders held on 30 January 2009. The new Responsible Entity of AIT is PIML (ABN 45 003 278 831, AFSL 235150). It has acted in this role since 5 February 2009.

The registered office and principal place of business of PIML Level 4, 35 Clarence Street, Sydney, NSW 2000.

Investment Manager

Laxey Partners (UK) Ltd (Laxey or the Manager) was appointed as the new investment manager of AIT effective on and from 24 February 2009 by PIML. Laxey is part of Laxey Partners Limited. Based on the Isle of Man and founded in 1998 as a globally active management company, Laxey Partners manages a range of assets and funds for institutional investors, including the wind down of AIT.

Directors of the Responsible Entity

The Directors and officers of PIML, appointed from 5 February 2009 and until the date of this report are:

Name	Title
John Atkin	Executive Director (Appointed 27 January 2009)
Vicki Allen	Executive Director
David Grbin	Executive Director
Michael Britton	Executive Director
Eugene Quass	Executive Director (Resigned 13 February 2009)
Adrian Lucchese	Company Secretary

PRINCIPAL ACTIVITIES

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

Under the terms of the realisation of AIT's assets, the leverage from the Swap facility must be paid down before unit holders may receive distributions from indirect assets which are assets held within the Swap that are sold or redeemed.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Following a meeting of unitholders of the AIT on 30 January 2009, unitholders agreed that an orderly realisation of the Fund's portfolio would occur and that it would be renamed Alternative Investment Trust. Laxey proposed a revised investment strategy to undertake an orderly wind down of the AIT portfolio. To date, a return of capital of $61.5 million has been distributed to unitholders.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS (CONTINUED)

In-Specie transfer

On 29 January 2009 implementation of the AIT Exchange offer took place. Under the offer, unitholders who preferred to maintain their exposure to the continuing AIT investment portfolio and investment strategy elected to exchange AIT Units for units in a new unlisted trust, the Everest Alternative Investment Trust (EAIT).

The total number of units exchanged under the Exchange Offer was 48,499,951 units, representing approximately 27% of AIT's total units on issue.

Leverage Facility

On 29 January 2009 ECIML, the Former Responsible Entity, renegotiated the terms of the Swap and Leverage Facility with Macquarie Bank Limited (the "Leverage Facility Provider"), for the purpose of facilitating the close out of the Swap and the orderly realisation of the assets comprising the Underlying Investment Portfolio.

Prior to the renegotiation, the Leverage Facility contained certain investment guidelines governing the composition of the Underlying Investment Portfolio and the Responsible Entity could only alter the Underlying Investment Portfolio outside these guidelines with the consent of the Leverage Facility provider.

As a result of the renegotiation of the Swap and Leverage Facility, and the intention of the parties to wind down the Swap, no investment guidelines were specified, however, AIT is no longer permitted to:

- add any new investments to the Underlying Investment Portfolio (irrespective of whether such investments are within or outside the scope of the former investment guidelines);
- increase the amount invested in investments that already form part of the Underlying Investment Portfolio;
- Obtain additional leverage for the purpose of increasing the value of the Underlying Investment Portfolio.

The terms of the renegotiated Swap and Leverage Facility generally only permit AIT to wind down the Swap and reduce the amount of leverage provided by the Leverage Facility Provider under the Leverage Facility by repaying any amounts borrowed from the Leverage Facility Provider as a cash payment or from proceeds of realising the Underlying Investment Portfolio. AIT can also request the removal of an investment from the Underlying Investment Portfolio, provided the Leverage Facility Provider agrees to this request.

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS

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

The result of AIT, as represented by the results of its operations, was as follows:

	Consolidated		Parent	
	Year ended 31 December 2009 $'000	Year ended 31 December 2008 $'000	**Year ended 31 December 2009 $'000**	Year ended 31 December 2008 $'000
Change in net assets attributable to unitholders	(63,019)	(311,656)	(60,001)	(311,653)

VALUE OF ASSETS AND UNITS ISSUED

The total value of the AIT's assets as at year end is $240,017,000 (2008: $1,002,803,000). The total number of units issued as at 31 December 2009 is 130,692,470 (2008: 179,192,421).

DISTRIBUTION/ RETURN OF CAPITAL

2009 Interim

Since the change of Investment Manager and Responsible Entity, AIT announced details of its first distribution to unitholders on 5 August 2009. This was a return of capital and represented a total distribution of 47 cents per unit, being a total of $61.5 million, which was paid to unitholders on 18 August 2009.

The distribution is a tax deferred amount for Australian income tax purposes (i.e. that is a return of capital to unitholders). The final characterisation of the distribution will be communicated to unitholders in the tax statements for the year ending 30 June 2010.

The distribution represented 23% of the 30 June 2009 NTA and 41% of the 4 August 2009 closing unit price.

2008 Final

AIT announced a distribution of $11,699,473 which is equal to 6.5 cents per unit for the 6 month period to 30 June 2008. This distribution represented a payment of 100% of taxable income to unitholders. The taxable income arose from net foreign exchange gains from hedging the Investment Portfolio. The Distribution Reinvestment Plan (DRP) was not available for the 2008 final distribution.

DIRECTORS' REPORT (CONTINUED)

RISK MANAGEMENT

The Investment Portfolio is in "run-off" and this process has been managed so as to provide the maximum amount of cash to unitholders over as short a time period as is deemed prudent and within the context of firstly repaying the leverage facility provided by Macquarie Bank Limited. As such, the Investment Manager together with Macquarie Bank Limited monitors the liquidity profile and redemption terms of each investment. All holdings that may be redeemed are in the process of being redeemed, with some positions subject to lock ups, illiquid side pocket (A type of account used to separate illiquid assets from other more liquid investments. Once an investment enters a side pocket account, only the present unitholders in the fund will be entitled to a share of it. Future investors will not receive a share of the proceeds in the event the asset's returns get realized) arrangements or a queuing process. Full commentary on this process may be found in the Investment Manager's Report on page 14.

The Former Responsible Entity entered into derivative transactions, principally a total return equity swap denominated in US dollars (the "Swap") comprising a leverage facility (the "Leverage Facility") and forward currency contracts. AIT is exposed to credit risk, foreign exchange risk, interest rate risk, market price risk and liquidity risk arising from the financial instruments its holds. The risk management policies employed by Laxey to manage these risks are discussed below.

(a) Credit risk

Credit risk is the risk that a counter party will fail to perform contractual obligations, either in whole or in part, under a contract and cause AIT to incur a financial loss.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. This risk is minimised by:

- ensuring counterparties, together with the respective credit limits are assessed and approved; and
- ensuring that transactions are undertaken with as large a number of counterparties as is feasible.

(i) Leverage Facility

The financial instruments of AIT are not transacted on recognised exchanges. The Leverage Facility is transacted with a single counterparty (being Macquarie Bank Limited). AIT therefore has concentration of credit risk to that counterparty for the facility which matures on 31 December 2010. However, AIT mitigates this credit risk through the negotiation and structuring of the Leverage Facility. AIT has been granted first ranking charges over the Underlying Investment Portfolio that are held by the nominee and independent third party sub custodian, to hedge the obligations of the counterparty under the Leverage Facility.

In addition, as the portfolio is in run-off it is anticipated that this exposure will decline substantially in the future. In fact under the terms of the renegotiated Leverage Facility with Macquarie, which acknowledges the revised aims of AIT, it is not permitted to add to positions in existing funds nor to establish positions in new funds.

(ii) Direct assets

AIT's single directly held investment is in EBI Income Fund (EBIIF), of which AIT holds 73%. This fund is managed by Everest Financial Group who provide NAV calculations and portfolio reports to AIT in the same manner as the funds to which AIT has exposure via the Macquarie Swap. The fund is formally revalued semi-annually in June and December and Laxey maintain regular contact with the manager in order to understand the nature of the portfolio, its liquidity and the associated risk.

EBI Income Fund's current exposure is largely to mezzanine debt in a variety of companies; it is undergoing an orderly liquidation and distributing cash to shareholders as it becomes available.

Given AIT's position as a 73% shareholder of EBIIF, EBIIF's assets and liabilities have been consolidated into AIT's assets and liabilities, respectively, for the purpose of these consolidated financial statements.

DIRECTORS' REPORT (CONTINUED)

(b) Liquidity and cash flow risk

Liquidity risk is the risk that AIT will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments or satisfy creditors' concerns of AIT. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

(c) Market price risk

Market price risk is the risk that the value of AIT's investment portfolio will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices or will be adversely affected as a result of market illiquidity. This risk was managed by ensuring that all activities were transacted in accordance with investment and leverage guidelines. AIT is subject to the restrictions set out under the heading "Leverage Facility" above. Market price risk analysis is conducted regularly on a total portfolio basis which includes the effect of derivatives.

(d) Foreign exchange risk

AIT is exposed to foreign exchange risk as a result of investments in financial instruments denominated in foreign currencies, including the Swap which is denominated in US dollars. AIT has exposure to foreign currency risk implicit in the value of portfolio securities denominated in a foreign currency net of debt denominated in a foreign currency and transactional exposure arising from purchase or sale of securities.

(e) 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.

AIT also has exposure to interest rate risk with respect to the amount borrowed under the Leverage facility. The interest rate is determined as the US dollar base rate for the relevant interest period plus a margin of 1.2% per annum.

DIRECTORS' REPORT (CONTINUED)

Investment and leverage guidelines

Facility limit – US$37,099,918 (2008: US$725,000,000) less the amount of any principal and accrued interest outstanding under the Loan Facility.

As a result of intention of the parties to wind down the Swap, no investment guidelines are specified, however, AIT is no longer permitted to:

- Add any new investments to the Underlying Portfolio (irrespective of whether such investments are within or outside the scope of the former investment guidelines);
- Increase the amount invested in investments that already for part of the Underlying Investment Portfolio;
- Obtain additional leverage for the purpose of increasing the value of the Underlying Investment Portfolio.

The terms of the renegotiated Swap and Leverage Facility generally only permit AIT to wind down the Swap and reduce the amount of leverage provided by the Leverage Facility Provider under the Leverage Facility by repaying any amounts borrowed from the Leverage Facility Provider as a cash payment or from proceeds of realising the Underlying Investment Portfolio. AIT can also request the removal of an investment from the Underlying Investment Portfolio, provided the Leverage Facility provider agrees to this request.

At the year-end, there are no investment guidelines specified in the renegotiated Swap and Leverage Facility. However there are restrictions applicable, as noted above.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

PIML advises that Laxey is managing AIT according to AIT's strategy to undertake an orderly wind down of AIT for the realisation of assets with a view to optimising the return on investments to unitholders.

DIRECTORS AND OFFICERS

The Directors and officers of the Former Responsible Entity during the period and until the date of the removal of the Former Responsible Entity on 5 February 2009 were as follows:

Name	Title
Trevor Gerber	Non-Executive Chairman (Resigned 6 February 2009)
Marea Laszok	Independent Director (Resigned 6 February 2009)
Jeremy Reid	Executive Director
Gary Kalmin	Company Secretary and Head of Corporate Development (Appointed Executive Director 5 February 2009)
Aaron Budai	Chief Financial Officer (Appointed Executive Director 5 February 2009)

The Directors and officers of PIML, appointed from 5 February 2009 and until the date of this report are:

Name	Title
John Atkin	Executive Director (Appointed 27 January 2009)
Vicki Allen	Executive Director
David Grbin	Executive Director
Michael Britton	Executive Director
Eugene Quass	Executive Director (Resigned 13 February 2009)
Adrian Lucchese	Company Secretary

DIRECTORS' REPORT (CONTINUED)

INTERESTS OF DIRECTORS OF THE RESPONSIBLE ENTITY

The directors of PIML do not hold any interest in AIT at 31 December 2009.

As at 31 December 2008, the interests of the Directors of the Former Responsible Entity in the AIT units were:

	Units
Trevor Gerber	150,000
Marea Laszok	20,000
Jeremy Reid	3,046,000

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

No insurance premiums are paid out of AIT in regards to insurance cover to either PIML or the auditors of AIT. So long as the Directors and officers of the PIML and its Compliance Committee act in accordance with the Constitution and Corporations Act, the Directors and officers remain indemnified out of the assets of AIT against losses incurred while acting on behalf of AIT. The auditors of AIT are in no way indemnified out of the assets of AIT.

Responsible Entity/Manager transactions

All transactions with related entities were made on normal terms and conditions.

As at 31 December 2009, PIML had no interest in AIT (2008: nil).

Fees paid/payable to the Responsible Entity, Former Responsible Entity and Laxey during the year were as follows:

	Consolidated		**Parent**	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Responsible Entity fees	**957**	-	**957**	-
Former Responsible Entity fees	**2,350**	15,542	**1,744**	15,542
Laxey Management fees	**3,059**	-	**3,059**	-

The Laxey management fees total includes a one off fee of $614,255 which was paid to Laxey as a result of the Return of Capital made in August 2009.

Responsible Entity/Manager Fees

As disclosed at the unitholders meeting held 30 January 2009, PIML charged $1 million for year 1 (excluding GST), paid monthly in arrears, and thereafter it was agreed that the Responsible Entity would charge 0.1% of gross assets per annum, subject to a minimum of $80,000 per annum.

Laxey has and will continue to charge 0.75% per annum (excluding GST) of gross assets and 1% of distributions paid to investors (excluding GST). The Responsible Entity Fees and Managers Fees in total are not to exceed 1.25% per annum of gross assets.

DIRECTORS' REPORT (CONTINUED)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

During the reporting period, AIT reduced the swap related debt from USD 291 million to USD 37 million at end of December 2009.

Other than matters disclosed in the financial reports, no matters or circumstances have arisen since 31 December 2009 that have significantly affected, or may significantly affect:

(i) the operations of the consolidated entity in future financial periods, or
(ii) the results of those operations in future financial periods, or
(iii) the state of affairs of the consolidated entity in future financial periods.

ENVIRONMENTAL REGULATION

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

NON-AUDIT SERVICES

There were no non-audit services performed by the auditor in the current financial year (2008: nil).

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

AIT is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investment Commission relating to the "rounding off" of amounts in the Directors' report and Annual Financial Report. Amounts in the Directors' report and Annual Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

AUDITORS' 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 22.

Signed in accordance with a resolution of the Directors of the Responsible Entity, Permanent Investment Management Limited.

On behalf of the Board

Director
Sydney, 26 February 2010

CORPORATE GOVERNANCE
PERMANENT INVESTMENT MANAGEMENT LIMITED

General

The directors of PIML consider that good quality corporate governance practices provide the framework for effective systems and business operations to deliver utmost value to AIT's unitholders and other stakeholders. PIML's role is to act in the best interests of the unitholders of AIT.

PIML's, ultimate holding company is Trust Company Limited ("**TCL**"). The operations of AIT are governed by the:

- Trust Deed and the Constitution;
- Corporations Act 2001;
- ASX Listing Rules;
- Compliance Plan;
- Relevant services agreements; and
- General law.

PIML is responsible for AIT's overall operation and administrative functions including the:

- preparation of financial statements, notices and reports; and
- monitoring of AIT's service providers including Link Market Services Limited ("registry provider"), Laxey, Citco Fund Services (Australia) Pty. Ltd ("administrator") and Trust Company Limited ("custodian").

Structure

AIT has a revised investment strategy whereby the assets of AIT are being realised and the trust is in wind down. AIT has exposure to a portfolio of leading absolute return funds (underlying investment portfolio) via a Swap and Leverage Facility with Macquarie Bank Limited (Leverage Facility Provider) and selected direct investments. Under the terms of the realisation of the AIT assets, the leverage from the Swap facility must be paid down before unitholders may receive any distributions from assets sold or redeemed (that are within the Swap).

Pursuant to the Investment Management Agreement between PIML and Laxey, the Manager is responsible for the operational activities of the AIT, including the realisation of assets, the asset management, financial reporting and investor communications and meetings.

The Manager initiates and monitors the realisation of assets and submits regular reporting to PIML on the results of those activities.

ASX Corporate Governance Principles

As a listed entity and a managed investment scheme, AIT is also required to comply with the ASX Listing Rules and provide a statement in AIT's annual report disclosing the extent to which PIML has followed the Corporate Governance Principles and Recommendations. Below, PIML addresses each of the eight principles for the period 5 February 2009 to 31 December 2009. This corporate governance statement is current as at the date of this Annual Report.

CORPORATE GOVERNANCE (CONTINUED)

Principle 1

Lay solid foundations for management and oversight

Role of the board and management

The structure and role of the boards of both PIML and of Laxey are designed to provide maximum value to investors in terms of ensuring appropriate oversight of their relevant activities and, in particular, the activities of the Manager given its key role in management and realisation of the assets of AIT. All activities are regularly reported to PIML by Laxey.

PIML has a constitution which sets out, amongst other things, the appointment and removal procedures for directors, board meeting requirements and remuneration policies. Internal procedures have been developed for:

- monitoring business risk;
- appropriate oversight of business units;
- compliance with regulatory requirements, scheme compliance plan and constitution; and
- monitoring of third party service providers.

PIML's directors, along with management, have the role of ensuring that PIML complies with its obligations as RE of AIT. PIML's board (Board) meets monthly to consider client activities of its Responsible Entity services and any relevant compliance matters. PIML's management elevate relevant compliance matters to its Audit, Risk & Compliance Committee – Managed Investment Schemes (ARCC-MIS).

Pursuant to the Investment Management Agreement the Manager is responsible for the operational activities of AIT, including asset management, realisation of assets, financial reporting and investor communications and meetings. The Manager and registry provider are also responsible for assisting PIML in handling any investor complaints.

The Manager initiates and monitors the realisation of assets and submits regular reporting to PIML on the results of those activities.

PIML is accountable to unitholders of AIT. In addition, PIML is responsible for AIT's overall operation, its regulatory and compliance obligations, and its administrative functions.

CORPORATE GOVERNANCE (CONTINUED)

PIML regularly reviews and monitors the performance of AIT's affairs and activities so that they are conducted in the best interest of unitholders. These functions include:

- maintaining high ethical and business standards;
- ensuring the preparation, review and approval of annual and half yearly financial statements, preparation of notices and reports to unitholders, ASX and other regulators;
- consultation with the Manager;
- monitoring and responsibility for certain specialist external service providers to assist the RE from time to time in the proper, efficient and timely delivery of services;
- compliance with a constitution of PIML that sets out amongst other things the appointment and removal procedures for the director's, meeting rules and requirements and disclosure procedure;
- maintaining internal procedures for monitoring business risk and ensuring appropriate oversight of AIT's compliance plan and constitution;
- empowering management of PIML to report compliance matters relating to AIT to the Board and ARCC-MIS;
- TCL, as the parent of PIML, providing executive directors, responsible managers and company secretarial functions for PIML. Those directors along with internal management have the ongoing task of ensuring PIML complies with its obligations as the Responsible Entity; and
- ensuring all available relevant information in connection with the AIT is discussed at meetings of the Board.

Principle 2

Structure the board to add value

Both PIML and Laxey add value through being completely independent of each other with no common directors and no related party interests between the two entities. This ensures no conflicts of interest when discretionary decisions are required of either entity.

PIML currently has four executive directors who meet monthly to consider the operational activities and financial performance of the Responsible Entity business. The directors are provided by PIML's parent company, TCL.
The procedures for selecting a Chairman, powers of the Board, appointment, removal and remuneration of Directors, Board meeting requirements and other related matters are set out in PIML's constitution.

New director's are fully briefed on the terms and conditions of their appointment by TCL executives and undertake an induction program to familiarize themselves with PIML and its business operations.

As each PIML Director is a TCL executive, the ARCC–MIS is comprised of a majority of external members (non TCL executives) and has been established to meet the requirements of Chapter 5C of the Corporations Act. In addition, the independence of the external members meets the requirements of section 601JA(2) of the Corporations Act. TCL has structured itself so that PIML's role as Responsible Entity of AIT adds real value through its focus on compliance with the regulatory requirements and its overarching responsibility to act in the best interests of unitholders.

CORPORATE GOVERNANCE (CONTINUED)

Principle 3

Promote ethical and responsible decision-making

PIML is committed to maintaining the highest standards of integrity with respect to its role as Responsible Entity and seeks to ensure all its activities in regard to AIT are undertaken with efficiency, honesty and fairness. PIML as well as the Manager have various policies and procedures in addition to a Code of Conduct and Share Trading Policy that applies to all directors and employees without exception. All codes and policies are designed to promote integrity, responsibility, accountability and adherence to relevant legislation. They apply to the directors and officers of the Manager, PIML as a member of the TCL group and Responsible Entity of AIT.

Principle 4

Safeguard integrity in financial reporting

The Manager in conjunction with the Fund Accountant ("Deloittes") are responsible for preparing the half year and annual financial statements for AIT. These financial statements are audited by an external auditor whose report is provided to the Board. The current auditor is Ernst & Young.

The Responsible Entity meets with the Fund accountant, Laxey and the external auditor to discuss the audit plan and scope prior to each financial year end. The audit report is tabled for the Board's consideration and approval.

Both the Manager and PIML review the financial statements and provide formal statements to the Board confirming that AIT's financial reports present a true and fair view, in all material aspects, of the AIT financial condition, and that operational results are in accordance with AIT's constitution and relevant accounting standards. In addition, they confirm that the statements are founded on a sound system of risk management and internal compliance and control which implements policies adopted by the Board.

Principle 5

Make timely and balanced disclosure

PIML and the Manager have continuous disclosure procedures to ensure AIT's compliance with ASX Listing Rules and the Corporations Act. Service providers to AIT under outsourcing arrangements are required to adhere to the ASX listing rules in terms of continuous disclosure requirements and must report to PIML instances where a disclosure obligation is required. PIML has procedures in place to monitor the compliance of the Manager and service providers with these requirements. The Company Secretary of PIML is responsible for disclosures to the ASX in relation to the continuous disclosure obligations of the AIT.

Principle 6

Respect the rights of unitholders

PIML is committed to providing timely and accurate information concerning the AIT to its unitholders. AIT's compliance plan and constitution further set out PIML's obligations and the rights of unitholders in this regard.

The Annual Report of AIT comprising the financial statements is sent to unitholders each year. The Annual Report includes the ASX Listing Rule disclosure requirements and although registered schemes are not required to hold meetings of unitholders, the constitution of AIT provides for such meetings if and when requisitioned by unitholders, the Manager or PIML.

CORPORATE GOVERNANCE (CONTINUED)

Under the Investment Management Agreement the Manager is required to ensure any actions or decisions it makes does not breach the terms of AIT's constitution or any relevant law or transaction document in relation to AIT which could adversely affect rights of unitholders.

Principle 7

Recognise and manage risk

Under the Investment Management Agreement the Manager is required to ensure that all persons acting as representatives (including authorised representatives) and undertaking promotional activities in respect of AIT are continually trained and supervised in accordance with requirements of the relevant law or ASIC policy, that it has objectives, policies, procedures and controls in place which it deems appropriate to avoid internal management risks and that its agents are adhering to those objectives, policies, procedures and controls, and it will use its best endeavours to ensure that it complies with any legislative requirements directly applicable to the Manager and its activities and it will notify PIML in writing immediately regarding any event which may trigger the enhanced disclosure provisions of the Corporations Act.

PIML values the importance of robust risk management systems and, with its parent TCL, has established an ARCC-MIS to support the compliance obligations of AIT with respect to its corporate governance and risk responsibilities.

The ARCC-MIS is comprised of a majority of external members skilled in the areas of audit, risk and compliance. The ARCC-MIS is responsible for the oversight of risk management and internal control systems for PIML. It reviews internal and external audit processes and monitors PIML's compliance with laws and regulations. The ARCC-MIS meets regularly with the TCL Executive Team, senior management and external advisers, and reports directly to the TCL and PIML Boards.

PIML has a formal risk management program in place which has been adopted from its parent entity, TCL. It is based on Standards Australia AS/NZS4360:2004-Risk Management Standard and includes policies and procedures to identify and address material financial and non-financial risks.

TCL also maintains an independent internal audit team who reports directly to ARCC-MIS and the PIML Board if necessary.

Principle 8

Remunerate fairly and responsibly

Remuneration policies are in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve the performance of TCL and its controlled entities. As TCL is the parent of PIML it provides executive directors and internal management for PIML as Responsible Entity. Directors and internal management of PIML are remunerated by TCL and not by AIT.

PIML's fees are set out in the constitution for AIT and product disclosure statement. Both PIML and the Manager monitor all fees and expenses paid from AIT to ensure they are allowable under AIT documentation and within the prescribed fees disclosed to investors.

Investment Manager's Report

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

AIT Facts
(as at 31 December 2009)

• Gross Assets (GA):	AUD 232m
• Net Assets (NA):	AUD 189m
• Market Cap:	AUD 135m
• Units in Issue:	131m
• NTA / unit:	AUD 1.45
• Leverage Ratio (GA / NA):	1.226
• Debt Repaid in 2009:	USD 254m
• Debt Remaining:	USD 37m
• Capital Returned in 2009:	AUD 61m
• Capital Returned / unit:	AUD 0.47
• % of GA in 'Side Pockets'	19%

Under the revised terms of the Swap agreement for the realisation of AIT's assets, the leverage associated with the Swap must be fully paid down before any cash realised from assets held within the Swap can be released to AIT for distributions to unitholders. These terms only cover assets within the Swap, and AIT is free to use realisations from its directly held investments – currently the single holding of EBI Income Fund – for distributions. Realisations from EBI Income Fund during 2009 allowed AIT to make a substantial distribution to unitholders in August 2009 of 47 cents per unit. This constituted 24% of AIT's unaudited Net Tangible Assets per unit at 31 July 2009, and 41% of AIT's unit price the day prior to the announcement of the distribution.

Future distributions are dependent upon full repayment of AIT's Swap related debt, as cash from realisations within the Swap cannot be released to AIT until the Swap is debt-free. During 2009, AIT has made significant progress in paying off this debt, reducing it by 87% from USD 291 million at the end of January to USD 37 million at the end of December. Further details follow.

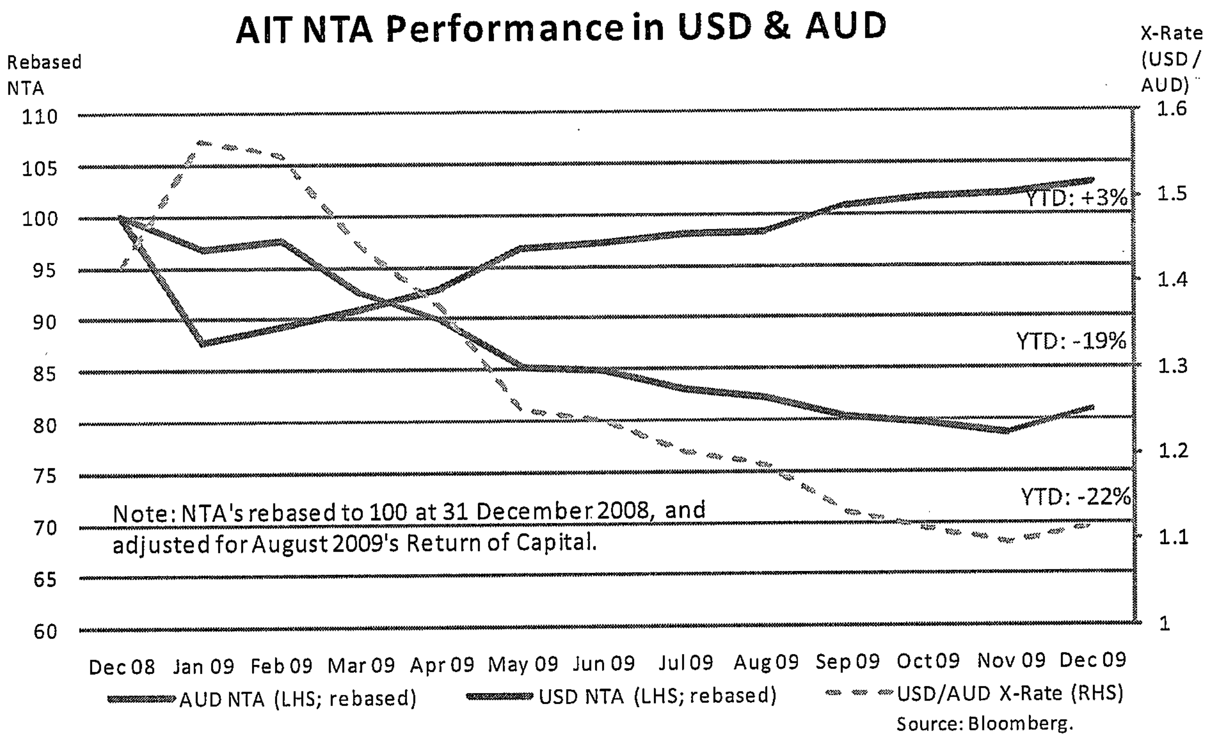
Fund Performance

The year under review saw huge swings in all global markets. At the time of Laxey's appointment, markets were still experiencing negative effects of the financial crisis which saw asset prices tumble further as many investors continued to seek liquidity from their positions in a time of very low investor confidence and poor visibility on future movements. Although AIT's investments do not in the main track the global equity indices, the events of the underlying downturn did have substantial repercussions for many of AIT's funds. As such, as investors sought to redeem positions, many funds put up gates on the proportion of funds that could be redeemed. Others were forced to change the terms of their funds, taking them from ongoing investments to liquidation funds that would gradually pay out cash to investors during an orderly wind down. This has had an impact on AIT's liquidity expectations with some positions not expected to fully return cash for another 2-4 years. Gradually, as asset prices fell globally, so too did the value of many of AIT's holdings.

Investment Manager's Report (continued)

The second half of the year saw improved optimism in global markets, with many asset prices recovering from overly low valuations. Those funds with significant equity positions and those that had been able to make choice investments earlier in the year and in 2008 saw significant improvement in their net asset values. ESL, one of AIT's long/short equity managers, held via the Swap and representative of 7.4% of AIT's gross assets as at 31 December 2009, saw a return of roughly +54% for the year (on a USD basis), as its long positions saw a huge recovery in their prices from the beginning of the year. Funds focusing on distressed opportunities and credit related investments in particular were able to make good returns as prices over-adjusted. AIT's investments in Marathon's Special Opportunities Fund for example returned approximately +40% for the year (on a USD basis). As at 31 December 2009, Marathon represented nearly 7% of AIT's gross assets.

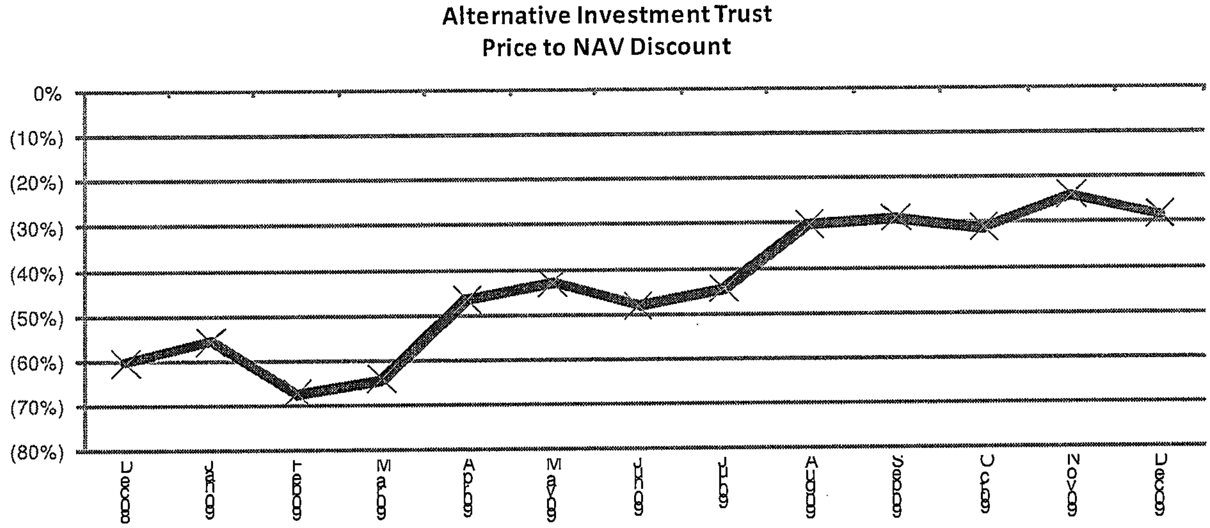
AIT's NTA fell from AUD 2.39 on 31 December 2008 to AUD 1.45 on 31 December 2009. Taking into account the AUD 0.47 distribution this represents a fall of 19%. The prime cause of this fall was the movement in the USD-AUD exchange rate. As the vast majority of AIT's underlying holdings report in USD, the strengthening of the AUD more than offset overall – USD – fund performances. For the period under review, the AUD strengthened against the USD by 22%.



AIT's net currency exposure is 83% to USD reporting funds and assets, and 17% to AUD reporting funds and assets. Note that the NAVs of these funds may be affected by exchange rate movements in their underlying investments; of the two funds that do report in AUD – Everest Absolute Return Fund ("EARF") and EBI Income Fund ("EBIIF") – neither has a very large net currency exposure to the AUD and so on a see through basis AIT has an even lower net currency exposure to the AUD. The graph above highlights the impact to AIT's NTA of the exchange rate movements. On a USD basis, AIT's NTA showed modest growth for the year under review – overall, the underlying funds performed reasonably in a difficult year, although this was not enough to offset the huge exchange rate move.

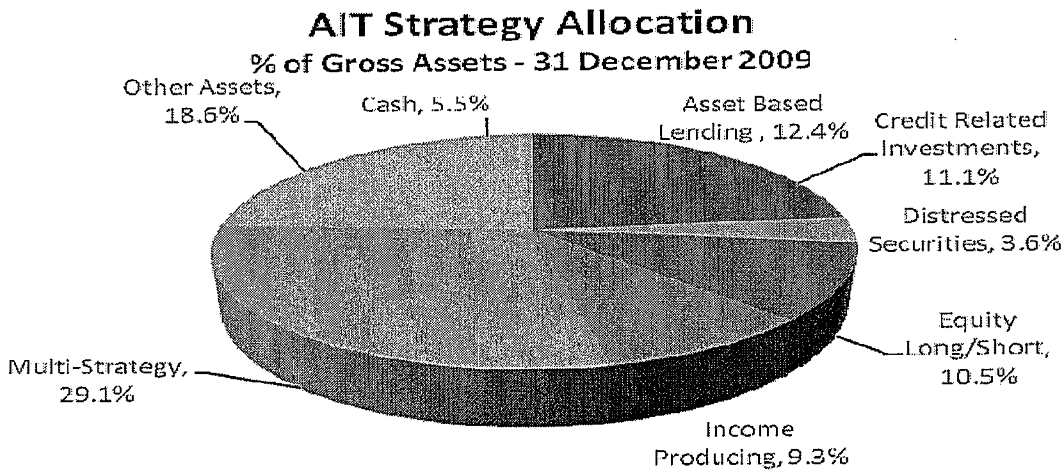
Investment Manager's Report (continued)

The next graph shows AIT's share price to NTA discount performance for the year. The discount has come in from a low of near 70% in February to approximately 30% at the end of the year.



Portfolio Review

The chart below shows AIT's asset exposure as at 31 December 2009. A large part of AIT's assets are classed as 'Other Assets', and this includes redemption cash held in part as collateral against AIT's secondary swap agreements. Many of these assets have a cash or cash-like risk profile but not a cash or cash-like liquidity profile. These secondary swaps act in the same manner as the Macquarie Swap, providing AIT with exposure to absolute return funds. One of these secondary swap agreements is with BNP (The BNP Swap forms part of the main Macquarie Swap). Under the terms of the BNP swap, proceeds received from the redemption of assets are not due to be paid to AIT until the end of 2010 and thus cannot go towards paying down the existing leverage facility until then. However, Laxey is hopeful that this date can be brought forward and the cash released. To this end, it is working with Macquarie and BNP to achieve an early release of proceeds.



Investment Manager's Report (continued)

AIT's Top Holdings:

FUND NAME	STRATEGY	% OF GROSS ASSET
Drawbridge Special	Asset Based Lending	12.3%
TPG-Axon Partners Offshore Ltd	Multi -	9.8%
EBIIF	Income Producing	9.4%
ESL Investments	Equity Long/Short	7.4%
Marathon Special Opportunity Fund	Credit Related Investments	6.9%
Eton Park Overseas Fund Ltd	Multi-	4.1%
Everest Absolute Return Fund	Multi-	3.6%
Och-Ziff Global Special	Multi-	3.4%
[Undisclosed Holding]	Equity Long/Short	3.1%
GSO Special Situations Overseas	Credit Related Investments	2.1%
TOTAL		62.1%

The above Top Portfolio Holdings constitute 62% of AIT's portfolio and all but EBIIF are held via the Macquarie Swap. The remainder of the portfolio consists of numerous smaller investments with varying degrees of liquidity. On behalf of AIT, Laxey maintain contact with the fund managers of each of the investments in order to better understand AIT's underlying exposure and its liquidity and risk profiles.

Details of AIT's Top Holdings:

Drawbridge (12.3% of Gross Assets): An opportunistic diversified portfolio of investments primarily made in the United States, Western Europe and the Pacific region, focusing on asset-based transactions, loans and corporate securities.

TPG-Axon (9.8% of Gross Assets): TPG is a multi-strategy fund. Their current focus is on investments in long/short equity positions, credit investments and structured products (such as patents) with no particular geographic or sector focus.

EBI Income Fund (9.4% of Gross Assets): EBI Income Fund (EBIIF) has exposure to a range of direct investments and indirect investments via its investment in the Everest Babcock & Brown Income Fund (EBBIF). These investments are primarily mezzanine and subordinated loans to infrastructure related assets including ports, rail and car parking.

ESL Investments (7.4% of Gross Assets): ESL has a number of large equity investments in retail companies, all primarily based in North America. These investments include AutoZone, a retailer of automotive parts and accessories, Sears, the department store, and AutoNation, which sells, finances and services new and used vehicles.

Investment Manager's Report (continued)

Details of AIT's Top Holdings (continued):

Marathon Special Opportunity Fund (6.9% of Gross Assets); Marathon Special Opportunities Fund is a multibillion dollar fund aiming to maximise total risk adjusted returns primarily through investment in credit-related strategies – including distressed credit. The fund invests predominantly on an opportunistic basis, to include longer term special situation type investments. Its primary region of investment is North America, although it will invest in any sector where it has sufficient expertise and where it sees opportunity. This fund was able to make investments in under priced assets during the height of the financial crisis and is now seeing significant returns for so doing.

Eton Park Overseas Fund (4.1% of Gross Assets): Eton Park Overseas Fund's objective is to deliver superior risk-adjusted returns over a multi-year period with an absolute return orientation. Equity long/short and credit-related strategies are the two main areas of investment for this fund; although it also has exposure to event orientated investments, as well as investments in derivatives and special investments. The fund invests globally and has no set allocation to any region; though North America is a significant area of investment currently.

Everest Absolute Return Fund (3.6% of Gross Assets): The Everest Absolute Return Fund is invested in a diversified portfolio of absolute return funds. The funds held by EARF are spread across a range of investment managers and EARF's strategy exposure includes long/short equity, distressed securities, multi-strategy, managed futures, global macro and arbitrage. The fund was restructured towards the end of 2008. It is currently being managed with a view to returning cash to shareholders, but no distributions will be made until the debt associated with EARF's swap facility – where EARF's investments are held – has been fully repaid.

Och-Ziff Global Special Investments (3.4% of Gross Assets): This is a multi-strategy fund focused on investments that have medium to long term (three years or more) realisation horizon; these investments are often illiquid, and as such, the timeframe for redemption of this investment is significantly longer than average for AIT's investments.

[Undisclosed Holding] (3.1% of Gross Assets): Primarily a long/short equities manager, this manager's current investment strategy is towards fundamental, passive value based investments – investments that should grow their businesses and outperform competitors, for example because of powerful brands or marketplaces that have high barriers to entry for new competitors. This fund does not allow Laxey to disclose further details – including its name.

GSO Special Situations (2.1% of Gross Assets): GSO is an alternative asset manager specializing in credit related investment. It manages a multi-strategy credit hedge fund, a mezzanine fund, a senior debt fund and various CLO vehicles. In March 2008, Blackstone acquired GSO Capital Partners LP and merged its own Credit Investment operation into GSO. AIT's investment in the Special Situations fund sits in the multi-strategy hedge fund; the main investment has now been redeemed, and the remaining investments are side-pocketed – largely in Private Equity investments; these may not be redeemed until GSO realise the specific investments.

Investment Manager's Report (continued)

Significant Portfolio Developments:

Over the year under review, many of AIT's underlying funds have been able to return capital to AIT earlier than forecast through a variety of corporate actions. Highlights of these actions – including actions that meant delays for returning cash to AIT – include:

- In December 2009, Parvus was able to make a full return of AIT's position at NAV. This was four months ahead of the formal lock up date upon which AIT had expected payment. Approximately USD 3 million was received. Prior to its redemption, Parvus accounted for 1.4% of AIT's Gross Assets (as at 30 November 2009).

- In response to investor demand, and with the availability of cash, one of AIT's funds made a number of proposals to investors for the use of up to 20% of their holding. One of these options was to take an early return of capital without penalty. Laxey opted for this option on behalf of AIT, and funds were received in September. The remaining 80% of AIT's holding is still subject to the original lock up terms and Laxey expect this payment to go ahead on schedule. This fund constituted 3.1% of AIT's Gross Assets at 31 December 2009. (Name of the position cannot be disclosed)

- In addition, a number of funds announced restructurings that provide at least a rough timetable over which funds are to be returned to AIT. Laxey welcomes these moves as they provide AIT with a greater level of confidence for the timing and availability of returns and allow Laxey to plan accordingly. In August 2009, Cerberus (1.6% of AIT's Gross Assets as at 31 December 2009) - a fund which had suspended all redemptions - announced that it would undergo a restructuring with regular payments to be made over 3 years. Other funds undergoing orderly liquidations of this kind include OZ Global Special Investment Fund, Plainfield and Drawbridge; these investments constituted 3.4%, 0.84% and 12.4% of AIT's Gross Assets at the end of 2009, respectively.

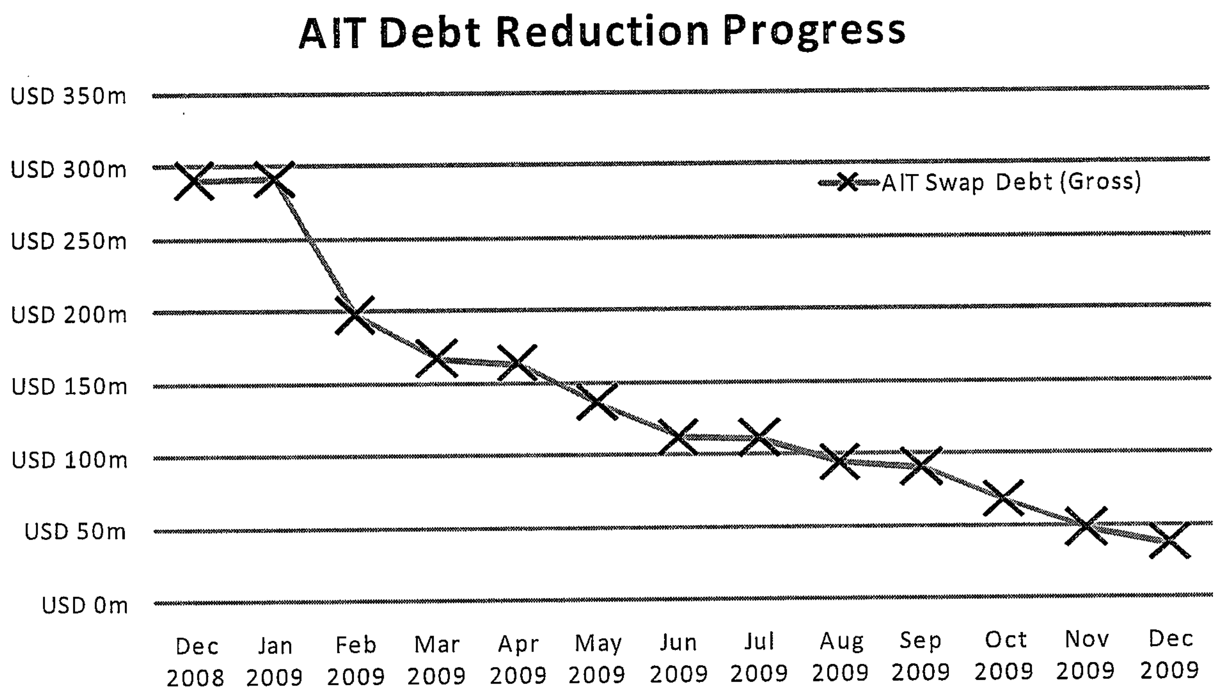
- Some funds were forced to restrict the amount of cash to be distributed to investors on redemption dates. One such fund was Marathon's Special Opportunity Fund (6.9% of AIT as at 31 December 2009). Despite a strong performance for the year of +40%, many investors sought to redeem at year end; due to the illiquidity of much of Marathon's investments. As a result 25% of all holdings will be kept back in a side pocket investment with cash to be returned as the investments within it are realised.

- Laxey's sole investment outside the Swap is in EBI Income Fund ("EBIIF" and representative of 10% of Gross Assets as at 31 December 2009). AIT is EBI Income Fund's largest shareholder, with a 73% stake. EBIIF is now undergoing an orderly liquidation and is making no further investments. The current investments are primarily in mezzanine and subordinated debt to a variety of companies, largely infrastructure related. The fund has now made distributions totalling approximately AUD 81 million to AIT; these were passed on to AIT's unitholders in the August Return of Capital. Some of the remaining investments have been subject to write downs, or renegotiation of terms. EBIIF's largest current investment is a loan used in the acquisition of two European ports. This loan had been in danger of default and as a result has been renegotiated to provide terms under which it can be repaid in full. Unfortunately for AIT, the renegotiation of the loan terms has meant that this investment's liquidity profile has worsened as the loan will not now be repaid in as short a timeframe as had been originally envisaged. A small return of capital was announced for February 2010, from which AIT received AUD 2.3m.

Investment Manager's Report (continued)

Debt Repayment and Liquidity Profile

During the year, AIT's gross debt has reduced from its peak of USD 291 million at the end of January to USD 37 million at the end of December; this constitutes a reduction of 87%. This reduction of USD 254 million was entirely due to redemption proceeds received from funds held within the Swap, and a further USD 5.5 million received in December will be used to repay debt in January. The decline in AIT's gross debt is illustrated in the below graph.

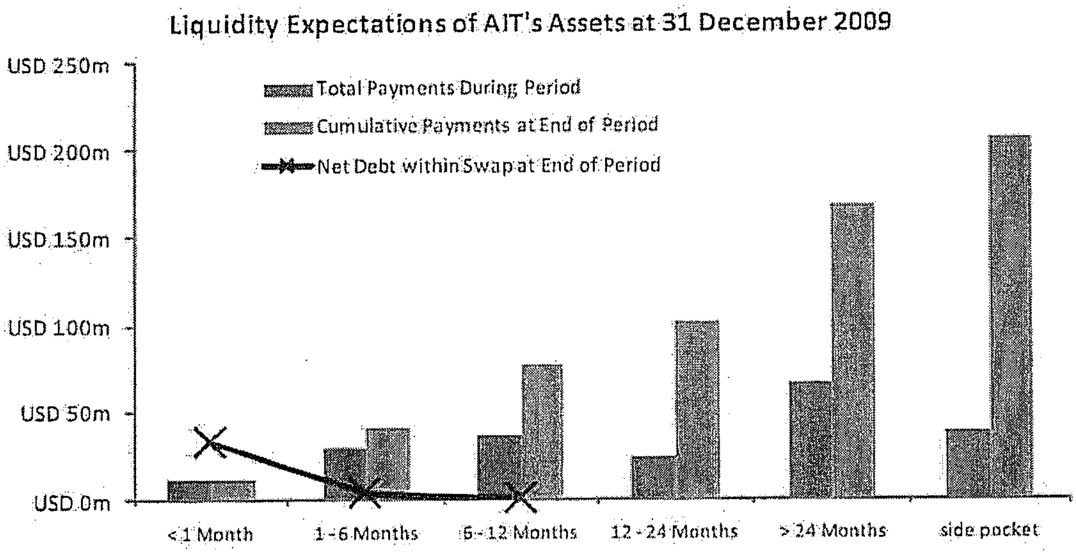


With proceeds from the relatively liquid holdings already received and used to pay down the Swap debt, the liquidity profile of the remaining investments is less certain. This is largely because as funds enter liquidation, their ability to pay out proceeds is entirely dependent on the realisation of assets.

19% of AIT's gross assets are now classed as side pocket investments. As previously highlighted, these consist of particular investments made by AIT's underlying managers that are predominately very specific and esoteric and as such, highly illiquid. Given that these side pocket assets cannot be easily liquidated, and there may also be some doubt as to the exact date of their realisation, these funds are held separately until that point, and may not be redeemed at the request of the investor. For this reason, Laxey treats these investments separately to the main funds in determining the liquidity profile of AIT.

The below chart indicates broadly when Laxey expects cash to be returned to AIT. Where there is some uncertainty in the realisation date, more cautious or even pessimistic assumptions are used. One such assumption concerns the BNP secondary swap that was detailed earlier. The significant cash holding that AIT cannot currently access continues to be categorised as a liquidity event in twelve months time (31 December 2010).

Investment Manager's Report (continued)



Outlook

Despite the level of side pocket illiquid investments, Laxey fully expects to have repaid all of AIT's debt before the end of 2010. Following this full repayment, AIT will be able to use further cash received to return capital to unitholders, in line with AIT's current mandate.

Signed by Colin Kingsnorth
Laxey Partners (UK) Ltd

ERNST & YOUNG

Auditor's Independence Declaration to the Directors of Permanent Investment Management Limited

In relation to our audit of the financial report of Alternative Investment Trust for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Elliott Shadforth
Partner
26 February 2010

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Consolidated **Year ended 31 December 2009 $'000**	Consolidated Year ended 31 December 2008 $'000	Parent **Year ended 31 December 2009 $'000**	Parent Year ended 31 December 2008 $'000
Investment income					
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	(44,237)	(294,703)	(46,584)	(304,050)
Net gains/(losses) on loans and receivables		(5,715)	-	-	-
Interest income		2,933	16,731	763	844
Foreign exchange gain/(loss) on loans and receivables		1,139	4,515	-	-
Other investment income/(expense)	3	(2,138)	(7,843)	5	2
Dividend/distribution income		63	3,930	-	24,626
Total investment income/(loss)		(47,955)	(277,370)	(45,816)	(278,578)
Expenses					
Responsible Entity fees	16	2,701	15,542	2,701	15,542
Management fees	16	3,665	-	3,059	-
Other operating expenses	3	3,938	5,861	3,665	5,834
Total operating expenses		10,304	21,403	9,425	21,376
Operating profit/(loss)		(58,259)	(298,773)	(55,241)	(299,954)
Financing costs attributable to unitholders					
Interest expense		(4,760)	(1,184)	(4,760)	-
Distributions to unitholders		-	(11,699)	-	(11,699)
Change in net assets attributable to unitholders		(63,019)	(311,656)	(60,001)	(311,653)
Loss attributable to:					
Unitholders		(60,001)	(311,656)	(60,001)	(311,656)
Minority interest		(3,018)	-	-	-
		(63,019)	(311,656)	(60,001)	(311,656)

	Notes	Consolidated **Year ended 31 December 2009 Cents**	Consolidated Year ended 31 December 2008 Cents
Basic and diluted earnings per unit in cents	5	(44.5)	(166.7)

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

STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated As at 31 December 2009 $'000	Consolidated As at 31 December 2008 $'000	Parent As at 31 December 2009 $'000	Parent As at 31 December 2008 $'000
Assets					
Cash and cash equivalents	9	14,161	81,977	8,075	55,076
Receivables	11	1,475	3,118	174	396
Financial assets designated as fair value through profit or loss	7	211,466	867,916	223,496	938,072
Loan and receivables	6	12,915	49,792	-	-
Total assets		240,017	1,002,803	231,745	993,544
Liabilities					
Payables	12	1,612	7,059	1,432	5,883
Financial liabilities held for trading:					
-Foreign currency contracts	10	-	8,083	-	-
-Swap payable (Leverage)	10	41,330	565,542	41,330	565,542
Total liabilities (excluding net assets attributable to unitholders)		42,942	580,684	42,762	571,425
Net assets attributable to unitholders	13	197,075	422,119	188,983	422,119
Represented by:					
Units on issue		561,548	734,683	561,548	734,683
Undistributed income		(372,565)	(312,564)	(372,565)	(312,564)
Minority interest		8,092	-	-	-
		197,075	422,119	188,983	422,119

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Consolidated

	Units on issue $'000	Undistributed income/(loss) $'000	Minority interest	Total $'000
At 1 January 2009	734,683	(312,564)	-	422,119
In-specie transfer	(111,710)	-	14,751	(96,959)
Return of capital	(61,425)	-	-	(61,425)
Transfer of minority interest	-	-	(3,641)	(3,641)
Change in net assets attributable to unitholders	-	(60,001)	(3,018)	(63,019)
As at 31 December 2009	**561,548**	**(372,565)**	**8,092**	**197,075**

Parent

	Units on issue $'000	Undistributed income/(loss) $'000	Minority interest	Total $'000
At 1 January 2009	734,683	(312,564)	-	422,119
In-specie transfer	(111,710)	-	-	(111,710)
Return of capital	(61,425)	-	-	(61,425)
Change in net assets attributable to unitholders	-	(60,001)	-	(60,001)
As at 31 December 2009	**561,548**	**(372,565)**	**-**	**188,983**

Consolidated

	Units on issue $'000	Undistributed income/(loss) $'000	Minority interest	Total $'000
At 1 January 2008	743,877	(908)	-	742,969
Distributions paid	-	(11,699)	-	(11,699)
Units cancelled through buyback	(9,194)	-	-	(9,194)
Change in net assets attributable to unitholders	-	(299,957)	-	(299,957)
As at 31 December 2008	734,683	(312,564)	-	422,119

Parent

	Units on issue $'000	Undistributed income/(loss) $'000	Minority interest	Total $'000
At 1 January 2008	743,877	(911)	-	742,966
Distributions paid	-	(11,699)	-	(11,699)
Units cancelled through buyback	(9,194)	-	-	(9,194)
Change in net assets attributable to unitholders	-	(299,954)	-	(299,954)
As at 31 December 2008	734,683	(312,564)	-	422,119

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

	Notes	Consolidated Year ended 31 December 2009 $'000	Consolidated Year ended 31 December 2008 $'000	Parent Year ended 31 December 2009 $'000	Parent Year ended 31 December 2008 $'000
Cash flows from operating activities					
Dividends received		63	4,057	-	24,627
Interest received		4,438	15,732	969	687
Other income received		392	363	17	2
Payment of Management, Responsible Entity and other fees		(15,752)	(21,526)	(13,900)	(21,334)
Interest paid		(4,760)	(1,775)	(4,760)	-
GST received		14	196	28	196
Net cash (used in)/provided by operating activities	8(a)	(15,605)	(2,953)	(17,646)	4,178
Cash flows from investing activities					
Proceeds from sale of investments		546,504	248,323	569,360	129,925
Purchase of investments		-	(116,088)	-	(63,098)
Net cash provided by investing activities		546,504	132,235	569,360	66,827
Cash flows from financing activities					
Units cancelled through buyback		-	(9,512)	-	(9,512)
Cash outflow through in-specie transfer		(13,078)	-	(13,078)	-
Cash outflow through return of capital		(61,425)	(11,699)	(61,425)	(11,699)
Proceeds from borrowings		-	13,866	-	-
Repayments of borrowings		(524,212)	(50,947)	(524,212)	-
Net cash used in financing activities		(598,715)	(58,292)	(598,715)	(21,211)
Net (decrease)/increase in cash and cash equivalents		(67,816)	70,990	(47,001)	49,794
Cash and cash equivalents at beginning of the year		81,977	10,831	55,076	5,282
Effects of foreign currency exchange rate changes on cash and cash equivalents		-	156	-	-
Cash and cash equivalents at the end of the year	8(b),9	14,161	81,977	8,075	55,076

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

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

Alternative Investment Trust (formerly Everest Babcock & Brown Alternative Investment Trust) (the Trust or AIT) is an Australian registered managed investment scheme which comprises the entities controlled by AIT (known as the Group or subsidiaries) and is also listed on the Australian Stock Exchange (ASX code AIQ). AIT was constituted on 7 April 2005.

The Responsible Entity of AIT is PIML. It became the Responsible Entity on 5 February 2009 replacing Everest Capital Investment Management Limited.

The registered office of PIML is Level 4, 35 Clarence Street, Sydney, NSW 2000.

Laxey was appointed as the new investment manager effective on and from 24 February 2009 by PIML, replacing Everest Capital Limited.

The financial statements were authorised for issue by the Directors on 26 February 2010.

1. 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 years presented, unless otherwise stated in the following text.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001 in Australia.

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

Compliance with International Financial Reporting Standards (IFRS)

The financial report of AIT, comprising the financial statements and notes thereto, complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by AIT at 31 December 2009, and the results of those controlled entities for the year then ended.

Subsidiaries are fully consolidated from the date on which control is obtained by AIT and cease to be consolidated from the date on which control is transferred.

The effects of all transactions between entities in the consolidated group are eliminated in full. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

(c) Foreign currency translation

The functional and presentation currency of AIT is Australian dollars (A$).

1. Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange rate ruling as at the balance sheet date.

Exchange differences arising on the settlement of monetary items or on transacting monetary items at rates different from those at which they were translated on initial recognition during the year or in a previous financial report, are recognised in profit or loss in the year in which they arise.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(d) Cash and cash equivalents

Cash and short term deposits in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Revenue

Interest revenue is recognised on an accruals basis taking into account the interest rates applicable to the financial assets.

Dividends are recognised when the right to receive payment is established.

(f) Payables

These amounts represent liabilities for goods and services provided to AIT prior to the end of the financial year. The amounts are carried at cost, are unsecured and are usually paid within 30 days of recognition.

(g) Receivables

Receivables may include amounts for interest, dividends and Goods and Services Tax (GST) recoverable from the Australian Taxation Office. Interest is accrued at the reporting date from the time of cash payment. Dividends are accrued when the right to receive payment is established.

(h) Net assets attributable to unitholders

Contributions from unitholders and the net profit/(loss) attributable to unitholders of AIT are recognised in the Statement of Financial Position as net assets attributable to unitholders.

Costs associated with establishing AIT and the subsequent capital raising have been offset against the amounts payable to unitholders of AIT.

Amounts payable to unitholders are classified as a financial liability.

1. Summary of significant accounting policies (continued)

(h) Net assets attributable to unitholders (continued)

Non-distributable income is included in net assets attributable to unitholders. The change in this amount each year represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

(i) Loans and receivables

Subordinated debt assets are classified as Loans and receivables and are measured initially at fair value plus transaction costs.

They are subsequently amortised using the effective interest rate method less impairment losses, if any. Such assets are reviewed at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable to determine whether there is objective evidence of impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, AIT estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

If any such indication of impairment exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the asset's present value.

If, in a subsequent period, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through the Statement of Comprehensive Income.

(j) Investment in derivative financial instruments

Leverage Facility

The Leverage Facility is denominated in US dollars and provides AIT with an exposure to a leveraged portfolio of leading international absolute return funds, and cash (Underlying Investment Portfolio). Under the terms of the Leverage Facility, the provider of the Leverage Facility (Leverage Facility Provider) undertakes to pay AIT a return equal to what it would receive if it had invested in the specified Underlying Investment Portfolio taking into account the leverage provided under the Leverage Facility.

Due to the nature of the Leverage Facility the Statement of Cash Flows includes only those cash amounts invested in the Leverage Facility or cash received from reductions in the Leverage Facility. As a result the impact of leverage is excluded from the cash flows from investing activities.

Refer to note 1(k) and 1(l) for its measurement base.

1. Summary of significant accounting policies (continued)

(j) Investment in derivative financial instruments (continued)

Forward currency contracts

Forward currency contracts were primarily used by AIT to hedge against foreign currency exchange rate risks on its net financial assets. The Former Responsible Entity agreed to receive or deliver a fixed quantity of foreign currency for an agreed price on an agreed future date. Forward currency contracts were valued at the prevailing market price at the reporting date. These instruments do not meet the criteria under accounting standards to be accounted for as hedges and are held for trading with gains or losses arising from changes in fair value taken directly through the Statement of Comprehensive Income.

(k) Financial assets

Swap receivable (Underlying Investment Portfolio)

The financial assets of AIT comprise a receivable under the Leverage Facility which reflects the fair value of the Underlying Investment Portfolio upon which AIT's return will be based. Fair value of the swap receivable is calculated with reference to the fair value of the Underlying Investment Portfolio at the reporting date. Gains and losses arising from changes in fair value are taken directly through the Statement of Comprehensive Income.

Units in controlled entities and unlisted unit trusts

Investments in controlled entities are recorded at the redemption unit price, which represents the fair value of the underlying investments. Movement in the fair value is recognised in the Statement of Comprehensive Income.

(l) Financial liabilities

Swap payable (Leverage)

The Swap payable reflects the fair value of the leverage period under the Leverage Facility. The economic cost of the Swap payable at the reporting date is recognised as a change in fair value. Movement in the fair value is recognised in the Statement of Comprehensive Income.

(m) Income tax

Under current legislation, AIT is not liable to pay income tax since under the terms of the Constitution the unitholders are presently entitled to the income of AIT.

1. Summary of significant accounting policies (continued)

(m) Income tax (continued)

There is no income of the AIT to which the unitholders are not presently entitled and, in addition the Trust constitution requires the distribution of the full amount of the net income of the AIT to the unitholders each period.

(n) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:
(i) where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

(o) Distributions

In accordance with AIT's constitution, AIT fully distributes its distributable income to unitholders by cash or reinvestment.

(p) Earnings per security

Basic and diluted earnings per unit are calculated as profit attributable to unitholders in the Trust divided by the weighted average number of units on issue.

(q) Impairment of assets

Assets are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Current market prices are used to determine recoverable amount.

(r) New accounting standards and interpretations in issue not yet effective

Accounting standards and interpretations that have been issued or amended but are not yet effective have not been adopted by the Fund for the annual reporting period ended 31 December 2009. The directors of the Fund are yet to assess the impact of these standards and interpretations but those likely to impact the Fund are:

IFRS 9 - The IASB issued IFRS 9 in November 2009 that introduces new requirements for the classification and measurement of financial assets effective from January 1, 2013 with early adoption permitted.

IAS 24 Related Party Disclosures (Revised) - The IASB issued a revised IAS 24 Related Party Disclosures in November 2009 to provide a partial exemption from the disclosure for government-related entities and to clarify the definition of a related party. The revised accounting standard is applicable for accounting periods beginning on or after January 1, 2011.

Standards and interpretations that are not expected to have a material impact on the Fund have not been included.

1. Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations in issue not yet effective (continued)

Since 1 January 2009, the Trust has adopted a number of Australian Accounting Standards and Interpretations which were mandatory for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards and interpretations has not had any effect on the financial position or performance of the Trust.

(s) Accounting assumptions

Variability of interest rates
The 88 (2008: 84) and -12 (2008: -16) basis points sensitivity is based on the volatility of change in the US cash interest rates to nil or up to 1% based on the current rate of 0.12% (2008: 0.16%).

Variability of foreign currency rates
The 10% percentage sensitivity is based management's best estimate of variability between Australian dollars and US.

(t) Fair value of financial instruments

In determining fair value, the Trust uses various valuation approaches. Market price observability is affected by a number of factors, including the type of financial instrument and the characteristics specific to the financial instrument. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Unobservable inputs are inputs that reflect the Trust's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

(i) Level 1 – valuations based on quoted prices in active markets for identical assets and liabilities. An active market for the financial instrument is a market in which transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis, as well as at the reporting date.
(ii) Level 2 – valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Observable inputs are other than Level 1 prices such as quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
(iii) Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement inputs (including the Trust's own assumptions in determining the fair value of investments). The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value is a market based measure considered from the perspective of market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Trust's own assumptions are set to reflect those that the market participants would use in pricing the asset or liability at the measurement date. The Trust uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for some instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3. The fair value hierarchy of the Trust's financial assets and liabilities have been disclosed in note 7 and note 10 respectively.

2. SEGMENT INFORMATION

AIT has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of AIT that are regularly reviewed by Laxey in order to allocate resources to the segment and to assess its performance.

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

The following is an analysis of AIT's investment revenue/(losses) by reportable operating segment:

	Consolidated Year ended		**Parent Year ended**	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	$'000	$'000	**$'000**	$'000
Operating segment				
Investment management:				
Attributable to Australia	(3,432)	(118,561)	(8,104)	(23,973)
Attributable to all foreign countries	(44,523)	(158,809)-	(37,712)	(254,605)
Total investment (loss)/income	(47,955)	(277,370)	(45,816)	(278,578)

3. OTHER INCOME AND EXPENSES

	Consolidated Year ended 31 December 2009 $'000	Consolidated Year ended 31 December 2008 $'000	Parent Year ended 31 December 2009 $'000	Parent Year ended 31 December 2008 $'000
Other expenses				
Professional fees	2,435	2,828	2,339	2,828
Directors remuneration	-	300	-	300
Fund administration and custody expenses	367	628	210	628
Other general and administrative expenses	1,017	1,974	997	1,947
Auditor's remuneration	119	131	119	131
Total other operating expenses	3,938	5,861	3,665	5,834
Other investment income/(expense)				
Impairment expense	(2,405)	(8,173)	-	-
Other investment income	267	330	5	2
	(2,138)	(7,843)	5	2

4. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated Year ended 31 December 2009 $'000	Consolidated Year ended 31 December 2008 $'000	Parent Year ended 31 December 2009 $'000	Parent Year ended 31 December 2008 $'000
Financial instruments				
Fair value gains/(losses) on Leverage Facility	(38,551)	(280,077)	(38,551)	(280,077)
Net gains/(losses) on direct investments designated as fair value through profit or loss	(5,757)	(9,781)	-	-
Fair value gains/(losses) on derivatives (foreign currency contracts and interest rate swap)	71	(7,583)	71	-
Foreign exchange gains/(losses) on translation of loan facility	-	2,738	-	-
Fair value gain/(losses) on units in controlled entity	-	-	(8,104)	(23,973)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(44,237)	(294,703)	(46,584)	(304,050)

5. EARNINGS PER UNIT

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

	Consolidated As at 31 December 2009	Consolidated As at 31 December 2008
Loss attributable to unitholders ($'000)	(60,001)	(299,957)
Basic and diluted earnings per unit in cents	(44.5)	(166.7)
Weighted average number of units on issue ('000)	134,812	179,989

6. LOANS AND RECEIVABLES

Loans and receivables consist of subordinated debt assets.

	Consolidated As at		Parent As at	
	31 December 2009 $'000	31 December 2008 $'000	**31 December 2009 $'000**	31 December 2008 $'000
Loans and receivables	25,602	60,073	-	-
Less provision for impairment	(12,687)	(10,281)	-	-
Total loans and receivables	12,915	49,792	-	-

7. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated As at		Parent As at	
	31 December 2009 $'000	31 December 2008 $'000	**31 December 2009 $'000**	31 December 2008 $'000
Financial assets				
Listed equities	-	2,446	-	-
Units in controlled entities	-	-	21,801	106,733
Underlying Investment Portfolio	201,695	831,339	201,695	831,339
Unlisted managed fund	9,771	34,131	-	-
Total financial assets held at fair value through profit or loss	211,466	867,916	223,496	938,072

The Leverage Facility is denominated in US Dollars and provides AIT with an exposure to a leverage portfolio of leading international absolute return funds and cash (Underlying Investment Portfolio).

7. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The following fair value hierarchy table presents information about the Trust's financial assets measured at fair value on a recurring basis as at 31 December 2009.

	Consolidated As at 31 December 2009			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Underlying Investment Portfolio	-	-	201,695	201,695
Unlisted managed fund	-	-	9,771	9,771
Total financial assets held at fair value through profit or loss	-	-	211,466	211,466

Consolidated – assets measured on a recurring basis using significant unobservable inputs (Level 3):

Particulars	**Unlisted managed fund**	**Underlying Investment Portfolio**	**Total**
At 1 January 2009	34,131	831,339	865,470
Net gain/(loss)	(3,654)	(42,403)	(46,057)
Sales	-	(361,128)	(361,128)
Transfer in/out of level 3	(20,706)	(226,113)	(246,819)
As at 31 December 2009	9,771	201,695	211,466

	Parent As at 31 December 2009			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Underlying Investment Portfolio	-	-	201,695	201,695
Unlisted managed fund	-	-	21,801	21,801
Total financial assets held at fair value through profit or loss	-	-	223,496	223,496

Parent – assets measured on a recurring basis using significant unobservable inputs (Level 3):

Particulars	**Unlisted managed fund**	**Underlying Investment Portfolio**	**Total**
At 1 January 2009	106,733	831,339	938,072
Net gain/(loss)	(8,104)	(42,403)	(50,507)
Sales	-	(361,128)	(361,128)
Transfer in/out of level 3	(76,828)	(226,113)	(302,941)
As at 31 December 2009	21,801	201,695	223,496

At 31 December 2009, AIT held all of its investments that relates to the net gain/loss classified under Level 3, in the table above.

8. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES

	Consolidated Year ended		Parent Year ended	
	31 December 2009 $'000	31 December 2008 $'000	**31 December 2009 $'000**	31 December 2008 $'000
(a) Reconciliation of profit/(loss) to net cash (used in)/provided by operating activities				
Change in net assets attributable to unitholders	(63,019)	(299,957)	(60,001)	(299,954)
Impairment of non-current assets	2,405	8,173	-	-
(Gain)/loss on derivatives (Foreign currency contracts)	(71)	7,583	(71)	-
Fair value (gain)/loss on Leverage Facility	38,551	280,077	38,551	280,077
Fair value (gain)/loss on direct financial assets	11,472	9,781	-	-
Foreign exchange gain/(loss) on loans and receivables	(1,139)	(13,105)	-	-
Foreign exchange gain/(loss) on translation of loan facility	-	(2,738)	-	-
Fair value (gain)/loss on units in controlled entity	-	-	8,104	23,973
(Increase)/decrease in receivables	1,643	6,713	222	40
(Decrease)/increase in payables	(5,447)	520	(4,451)	42
Net cash (used in)/provided by operating activities	(15,605)	(2,953)	(17,646)	4,178

9. CASH AND CASH EQUIVALENTS

	Consolidated As at		Parent As at	
	31 December 2009 $'000	31 December 2008 $'000	**31 December 2009 $'000**	31 December 2008 $'000
Domestic cash at bank	8,721	76,773	2,635	55,076
Foreign currency holdings	5,440	5,204	5,440	-
	14,161	81,977	8,075	55,076

10. FINANCIAL LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated As at		Parent As at	
	31 December 2009 Fair value $'000	31 December 2008 Fair value $'000	**31 December 2009 Fair value $'000**	31 December 2008 Fair value $'000
Current				
Derivatives (foreign currency contracts)	-	8,083	-	-
Swap payable (Leverage)	41,330	565,542	41,330	565,542
Total financial liabilities held at fair value through profit or loss	41,330	573,625	41,330	565,542

The Swap payable reflects the fair value of the leverage provided under the Leverage Facility.

The following fair value hierarchy table presents information about the Trust's financial liabilities measured at fair value on a recurring basis as at 31 December 2009.

	Consolidated As at 31 December 2009			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities				
Swap payable (Leverage)	-	41,330	-	41,330
Total financial liabilities held at fair value through profit or loss	-	41,330	-	41,330

	Parent As at 31 December 2009			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities				
Swap payable (Leverage)	-	41,330	-	41,330
Total financial liabilities held at fair value through profit or loss	-	41,330	-	41,330

11. RECEIVABLES

	Consolidated As at 31 December 2009 $'000	Consolidated As at 31 December 2008 $'000	Parent As at 31 December 2009 $'000	Parent As at 31 December 2008 $'000
Interest receivable	1,287	2,792	-	206
GST recoverable	176	190	162	190
Other receivables	12	136	12	-
Total receivables	1,475	3,118	174	396

No loss has been recognised in respect of receivables during the year ended 31 December 2009 (2008: nil).

12. PAYABLES

	Consolidated As at 31 December 2009 $'000	Consolidated As at 31 December 2008 $'000	Parent As at 31 December 2009 $'000	Parent As at 31 December 2008 $'000
Amounts owing to Responsible Entity	93	-	93	-
Amounts owing to Former Responsible Entity	-	3,703	-	3,703
Management fees	740	-	628	-
Fund administration and custody expenses	84	84	55	84
Legal expenses	165	875	165	875
Swap termination expense	-	1,034	-	-
Other payables	530	1,363	491	1,221
Total payables	1,612	7,059	1,432	5,883

13. UNITS ON ISSUE

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

	Parent As at			
	31 December 2009 No.	31 December 2008 No.	**31 December 2009 $'000**	31 December 2008 $'000
Opening balance	179,192,421	182,550,857	422,119	742,969
Units cancelled through buyback	-	(3,358,436)	-	(9,194)
In-specie transfer	(48,499,951)	-	(111,710)	-
Distribution to unitholders	-	-	-	(11,699)
Return of capital	-	-	(61,425)	-
Change in net assets attributable to unitholders	-	-	(60,001)	(299,957)
Closing balance	130,692,470	179,192,421	188,983	422,119

IN-SPECIE TRANSFERS

On 29th January 2009 implementation of the AIT Exchange offer took place. Under the offer, unitholders who preferred to maintain their exposure to the continuing AIT investment portfolio and investment strategy elected to exchange their AIT Units for units in a new unlisted trust, the Everest Alternative Investment Trust (EAIT).

The total number of units exchanged under the Exchange Offer was 48,499,951 units being an amount of $111,710,000 transferred to EAIT, representing approximately 27% of AIT's total units on issue. The in specie transfer included a cash payment of $13,078,000 to EAIT. Also transferred were 27% of the underlying investment portfolio of $226,113,000, $28,495,000 of units in the EBI Income Fund, $153,068,000 of swap payable and $2,908,000 of other liabilities.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The purpose of the Investment Portfolio was to meet AIT's investment objective of attractive risk adjusted, absolute returns over the medium to long term and in all market conditions. The strategy for achieving this objective focused on obtaining exposure to a portfolio of leading international absolute return funds (Underlying Investment Portfolio) and select subordinated debt and equity company investments. The Former Investment Manager was responsible for the process of sourcing investments and conducting analysis and due diligence using the Former Investment Manager's selection criteria and the ongoing monitoring of the Investment Portfolio. The Investment Portfolio had to comply with the agreed guidelines.

Risks arising from holding financial instruments are inherent in AIT's activities, and were managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of AIT comprise investment in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial assets such as trade debtors and creditors, which arise directly from operations.

The Responsible Entity (2008: ECIML or the Former Responsible Entity) entered into derivative transactions, principally a total return equity swap denominated in US dollars and forward currency contracts.

The Responsible Entity (2008: ECIML) was responsible for identifying and controlling the risks that arise from these financial instruments.

AIT is exposed to credit risk, market risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed Laxey on behalf of the Responsible Entity (2008: ECIML) for AIT to manage these risks are discussed below.

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract and cause AIT to incur a financial loss.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. This risk is minimised by:

- ensuring counterparties, together with the respective credit limits, are assessed and approved, and
- ensuring that transactions are undertaken with as large a number of counterparties as is feasible.

(i) Leverage Facility

The financial instruments of AIT are not transacted on recognised exchanges with the Leverage Facility transacted with a single counterparty (being Macquarie Group Limited (Macquarie)). AIT therefore has a concentration of credit risk to the counterparty to the Leverage Facility which matures on 31 December 2010. However, AIT mitigates this credit risk through the negotiation and structuring of the Leverage Facility. AIT has been granted first ranking charges over the Underlying Investment Portfolio that are held by the nominee and independent third party sub-custodian to hedge the obligations of the counterparty under the Leverage Facility.

In addition as the portfolio is in run-off it is anticipated that this exposure will decline substantially in the future. In fact under the terms of the recently renegotiated Leverage Facility with Macquarie, which acknowledges the revised aims of AIT, it is not permitted to add to positions in existing funds nor to establish positions in new funds.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(a) Credit risk (continued)

(ii) Direct assets

AIT currently has a single directly held investment - in EBI Income Fund, of which AIT holds 73%. This fund is managed by Everest Financial Group who provide NAV calculations and portfolio reports to AIT in the same manner as the funds to which AIT has exposure via the Macquarie Swap. The fund is formally revalued semi-annually in June and December and Laxey maintain regular contact with the manager in order to understand the nature of the portfolio, its liquidity and the associated risk.

EBI Income Fund's current exposure is largely to mezzanine debt in a variety of companies; it is undergoing an orderly liquidation and distributing cash to shareholders as it becomes available.

AIT has credit exposure to the counterparty of its foreign currency contracts to the amount of $nil (2008: $8,083,000) as at the year-end.

Risk concentrations of credit risk exposure

AIT's financial assets can be analysed by the following geographic regions:

2009 Consolidated	**Australia A$'000**	**US A$'000**	**Euro A$'000**	**Total A$'000**
Cash and cash equivalents	14,161	-	-	14,161
Receivables	1,475	-	-	1,475
Financial assets designated as fair value through profit or loss	211,466	-	-	211,466
Loan and receivables	-	307	12,608	12,915
Total	227,102	307	12,608	240,017

The credit exposure of the financial assets designated as fair value through profit or loss in Australia represents the intrinsic value of the Leverage Facility of $160,365,231 (2008: $265,797,002), being the Underlying Investment Portfolio of $201,695,349 (2008: $831,339,000) less the Leverage of $41,330,118 (2008: $565,541,998). This credit risk is mitigated by the fact that assets with a total value of $247,983,138 (2008: $692,163,000) are held by third party custodians and subject to first ranking changes in favour of the Responsible Entity.

2009 Parent – All AIT's financial assets are exposed to the Australian geographic region.

2008 Consolidated	**Australia A$'000**	**US A$'000**	**Euro A$'000**	**Total A$'000**
Cash and cash equivalents	76,773	5,204	-	81,977
Receivables	3,118	-	-	3,118
Financial assets designated as fair value through profit or loss	291,845	2,210	236	294,291
Loan and receivables	38,334	11,458	-	49,792
Total	410,070	18,872	236	429,178

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(a) Credit risk (continued)

Risk concentrations of credit risk exposure (continued)

2008 Parent – All AIT's financial assets are exposed to the Australian geographic region.

An industry sector analysis of AIT's direct assets is as follows:

	2009 A$'000	2008 A$'000
Financial services	9,771	-
Rail	-	9,478
Ports	11,671	15,355
Property	-	13,500
Structured finance	557	3,795
Oil and gas	687	7,900
Leasing	-	2,210
Total	22,686	52,238

The parent entity does not have different industry exposures outside of the financial services (2008: nil).

The parent entity and consolidated entity holds no collateral as security or any other credit enhancements (2008: nil).

(b) Liquidity and cash flow risk

Liquidity risk is the risk that AIT will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(b) Liquidity and cash flow risk (continued)

The table below analyses AIT's financial liabilities and gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period from 31 December 2009 to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows. Balances due equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month $'000	1-3 months $'000	3-6 months $'000	6-12 months $'000	Greater than 12 months $'000	Total $'000
Consolidated						
At 31 December 2009						
Financial liabilities designated as fair value through profit or loss	-	-	-	41,330	-	41,330
Payables	1,612	-	-	-	-	1,612
Total financial liabilities	1,612	-	-	41,330	-	42,942
At 31 December 2008						
Financial liabilities designated as fair value through profit or loss	-	8,083	-	-	565,542	573,625
Payables	7,059	-	-	-	-	7,059
Total financial liabilities	7,059	8,083	-	-	565,542	580,684

	Less than 1 month $'000	1-3 months $'000	3-6 months $'000	6-12 months $'000	Greater than 12 months $'000	Total $'000
Parent						
At 31 December 2009						
Financial liabilities designated as fair value through profit or loss	-	-	-	41,330	-	41,330
Payables	1,432	-	-	-	-	1,432
Total financial liabilities	1,432	-	-	41,330	-	42,762
At 31 December 2008						
Financial liabilities designated as fair value through profit or loss	-	-	-	-	565,542	565,542
Payables	5,883	-	-	-	-	5,883
Total financial liabilities	5,883	-	-	-	565,542	571,425

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(c) Market risk

(i) Price risk

Market price is the risk that the value of AIT's investment portfolio will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices. This risk is managed by ensuring that all activities are transacted in accordance with investment and leverage guidelines outlined in this Note 14. Going forward, no new assets are to be sought as the Trust is being wound down and the assets are being sold in an orderly fashion.

(ii) Foreign exchange risk

AIT is exposed to foreign exchange risk as a result of investments in financial instruments denominated in foreign currencies. AIT has exposure to foreign currency risk implicit in the value of portfolio securities denominated in a foreign currency and transactional exposure arising from the sale of securities.

The following table indicates the currencies to which AIT had significant exposure at 31 December 2009 on its monetary assets and liabilities highlighting AIT's net exposure to foreign exchange risk.

Consolidated 31 December 2009	**Australian Dollars A$'000**	**US Dollars A$'000**	**Euro A$'000**	**Total A$'000**
Assets				
Cash and cash equivalents	8,721	5,440	-	14,161
Receivables	1,475	-	-	1,475
Financial assets designated as fair value through profit or loss	9,771	201,695	-	211,466
Loan and receivables	-	307	12,608	12,915
Total assets	19,967	207,442	12,608	240,017
Liabilities				
Payables	1,612	-	-	1,612
Financial liabilities designated as fair value through profit or loss	-	41,330	-	41,330
Total liabilities (excluding net assets attributable to unitholders)	1,612	41,330	-	42,942
Net asset attributable to unitholders	18,355	166,112	12,608	197,075
Total foreign currency exposure	-	166,112	12,608	178,720
Total forward exchange contracts (notional and direct)	-	-	-	-
Net foreign currency exposure	-	166,112	12,608	178,720
Foreign currency exposure (+10%)	-	182,723	13,869	196,592
Foreign currency exposure (-10%)	-	149,501	11,347	160,848

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(ii) Foreign exchange risk (continued)

Parent **31 December 2009**	**Australian Dollars A$'000**	**US Dollars A$'000**	**Euro A$'000**	**Total A$'000**
Assets				
Cash and cash equivalents	2,635	5,440	-	8,075
Receivables	174	-	-	174
Financial assets designated as fair value through profit or loss	21,800	201,696	-	223,496
Loan and receivables	-	-	-	-
Total assets	24,609	207,136	-	231,745
Liabilities				
Payables	1,432	-	-	1,432
Financial liabilities designated as fair value through profit or loss	-	41,330	-	41,330
Total liabilities (excluding net assets attributable to unitholders)	1,432	41,330	-	42,762
Net asset attributable to unitholders	23,177	165,806	-	188,983
Total foreign currency exposure	-	165,806	-	165,806
Total forward exchange contracts (notional and direct)	-	-	-	-
Net foreign currency exposure	-	165,806	-	165,806
Foreign currency exposure (+10%)	-	182,387	-	182,387
Foreign currency exposure (-10%)	-	149,225	-	149,225

Consolidated **31 December 2008**	**Australian Dollars A$'000**	**US Dollars A$'000**	**Euro A$'000**	**Total A$'000**
Assets				
Cash and cash equivalents	76,773	5,204	-	81,977
Receivables	3,118	-	-	3,118
Financial assets designated as fair value through profit or loss	(38,340)	906,020	236	867,916
Loan and receivables	38,334	11,458	-	49,792
Total assets	79,885	922,682	236	1,002,803
Liabilities				
Payables	7,059	-	-	7,059
Financial liabilities designated as fair value through profit or loss	8,083	565,542	-	573,625
Total liabilities (excluding net assets attributable to unitholders)	15,142	565,542	-	580,684
Net asset attributable to unitholders	64,743	357,140	236	422,119
Total foreign currency exposure	-	357,140	236	357,376

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(ii) Foreign exchange risk (continued)

Consolidated 31 December 2008	Australian Dollars A$'000	US Dollars A$'000	Euro A$'000	Total A$'000
Total forward exchange contracts (notional and direct)	-	(356,046)	(145)	(356,191)
Net foreign currency exposure	-	1,094	91	1,185
Foreign currency exposure (+10%)	-	1,203	100	1,303
Foreign currency exposure (-10%)	-	987	82	1,069

Parent 31 December 2008	Australian Dollars A$'000	US Dollars A$'000	Euro A$'000	Total A$'000
Assets				
Cash and cash equivalents	55,076	-	-	55,076
Receivables	396	-	-	396
Financial assets designated as fair value through profit or loss	34,262	903,810	-	938,072
Total assets	89,734	903,810	-	993,544
Liabilities				
Payables	5,883	-	-	5,883
Financial liabilities designated as fair value through profit or loss	-	565,542	-	565,542
Total liabilities (excluding net assets attributable to unitholders)	5,883	565,542	-	571,425
Net asset attributable to unitholders	83,851	338,268	-	422,119
Total foreign currency exposure	-	338,268	-	338,268
Total forward exchange contracts (notional and direct)	-	(348,103)	-	(348,103)
Net foreign currency exposure	-	(9,835)	-	(9,835)
Foreign currency exposure (+10%)	-	(10,819)	-	(10,819)
Foreign currency exposure (-10%)	-	(8,852)	-	(8,852)

At 31 December 2009, had the exchange rate of the US dollar and Other currencies increased or decreased by 10% with all other variables held constant, the impact on the net assets attributable to unitholders is reflected in the tables above.

(iii) 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.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(iii) Interest rate risk (continued)

AIT has exposure to interest rate risk with respect to the amount borrowed under the Leverage facility. The interest rate is determined as the US dollar base rate for the relevant interest period plus a margin of 1.2% per annum.

Laxey is responsible, for managing direct interest rate risk with respect to the Leverage Facility and investment in fixed interest securities and reporting any issues to the Responsible Entity.

AIT's exposure to interest rate risk and the weighted average effective interest rate is set out in the following table:

Consolidated 31 December 2009	Floating Interest rate $'000	Fixed interest rate 1-3 months $'000	Less than 3-6 months $'000	6-12 months $'000	Greater than 12 months $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	14,161	-	-	-	-	-	14,161
Receivables	-	-	-	-	-	1,475	1,475
Financial assets designated as fair value through profit or loss	-	-	-	-	-	211,466	211,466
Loans and receivables	-	-	-	-	12,915	-	12,915
Total assets	14,161	-	-	-	12,915	212,941	240,017
Liabilities							
Payables	-	-	-	-	-	1,612	1,612
Financial liabilities designated as fair value through profit or loss	41,330	-	-	-	-	-	41,330
Total liabilities (excluding net assets attributable to unitholders)	41,330	-	-	-	-	1,612	42,942
Net exposure	(27,169)	-	-	-	12,915	211,329	197,075

Parent 31 December 2009	Floating Interest rate $'000	Fixed interest rate 1-3 months $'000	Less than 3-6 months $'000	6-12 months $'000	Greater than 12 months $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	8,075	-	-	-	-	-	8,075
Receivables	-	-	-	-	-	174	174
Financial assets designated as fair value through profit or loss	-	-	-	-	-	223,496	223,496
Loans and receivables	-	-	-	-	-	-	-
Total assets	8,075	-	-	-	-	223,670	231,745
Liabilities							
Payables	-	-	-	-	-	1,432	1,432
Financial liabilities designated as fair value through profit or loss	41,330	-	-	-	-	-	41,330
Total liabilities (excluding net assets attributable to unitholders)	41,330	-	-	-	-	1,432	42,762
Net exposure	(33,255)	-	-	-	-	222,238	188,983

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(iii) Interest rate risk (continued)

Consolidated 31 December 2008	Floating Interest rate $'000	Fixed interest rate 1-3 months $'000	Less than 3-6 months $'000	6-12 months $'000	Greater than 12 months $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	81,977	-	-	-	-	-	81,977
Receivables	-	-	-	-	-	3,118	3,118
Financial assets designated as fair value through profit or loss	-	-	-	-	-	867,916	867,916
Loans and receivables	-	9,478	21,400	15,355	3,559	-	49,792
Total assets	81,977	9,478	21,400	15,355	3,559	871,034	1,002,803
Liabilities							
Payables	-	-	-	-	-	7,059	7,059
Financial liabilities designated as fair value through profit or loss	565,542	-	-	-	-	8,083	573,625
Total liabilities (excluding net assets attributable to unitholders)	565,542	-	-	-	-	15,142	580,684
Net exposure	(483,565)	9,478	21,400	15,355	3,559	855,892	422,119

Parent 31 December 2008	Floating Interest rate $'000	Fixed interest rate 1-3 months $'000	Less than 3-6 months $'000	6-12 months $'000	Greater than 12 months $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	55,076	-	-	-	-	-	55,076
Receivables	-	-	-	-	-	396	396
Financial assets designated as fair value through profit or loss	-	-	-	-	-	938,072	938,072
Total assets	55,076	-	-	-	-	938,468	993,544
Liabilities							
Payables	-	-	-	-	-	5,883	5,883
Financial liabilities designated as fair value through profit or loss	509,343	56,199	-	-	-	-	565,542
Total liabilities (excluding net assets attributable to unitholders)	509,343	56,199	-	-	-	5,883	571,425
Net exposure	(454,267)	(56,199)	-	-	-	932,585	422,119

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(iii) Interest rate risk (continued)

The following table demonstrates the sensitivity of AIT's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables held constant.

The 88 and -12 (2008: 84 and -16) basis point sensitivity on the volatility of change in the US cash interest rates to nil or up to 1% on the current rate of 0.12% (2008: 0.16%).

The sensitivity on the statement of comprehensive income is the effect of the assumed changes in interest rates on:

- the interest expense for one year, based on the floating rate financial liabilities held at year end; and
- changes in the fair value of the Leverage Facility for the year.

Consolidated
2009

Country	**Change in basis points Increase/decrease**	**Sensitivity of interest expense Increase/decrease $'000**	**Sensitivity of changes in fair value of financial liabilities Increase/decrease $'000**
US Interest rate	+0.88bp/-0.12bp	364/(50)	4,613/(629)

2008

Country	Change in basis points Increase/decrease	Sensitivity of interest expense Increase/decrease $'000	Sensitivity of changes in fair value of financial liabilities Increase/decrease $'000
US Interest rate	+0.84bp/-0.16bp	44/(8)	3,333/(646)

Parent
2009

Country	**Change in basis points Increase/decrease**	**Sensitivity of interest expense Increase/decrease $'000**	**Sensitivity of changes in fair value of financial liabilities Increase/decrease $'000**
US Interest rate	+0.88bp/-0.12bp	364/(50)	4,613/(629)

2008

Country	Change in basis points Increase/decrease	Sensitivity of interest expense Increase/decrease $'000	Sensitivity of changes in fair value of financial liabilities Increase/decrease $'000
US Interest rate	+0.84bp/-0.16bp	44/(8)	3,333/(646)

14. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

(iv) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Equity price risk exposure arises from AIT's notional investments in listed equities, through the Swap where the underlying funds invest in listed securities.

The management has assessed the equity price risk to be immaterial to the Fund.

Investment and leverage guidelines

Leverage Facility

Facility Limit – US$37,099,918 (2008: US$725,000,000) less the amount of any principal and accrued interest outstanding under the Loan Facility (discussed below).

As a result of intention of the parties to wind down the Swap, no investment guidelines are specified, however, AIT is no longer permitted to:

- Add any new investments to the Underlying Portfolio (irrespective of whether such investments are within or outside the scope of the former investment guidelines);
- Increase the amount invested in investments that already for part of the Underlying Investment Portfolio;
- Obtain additional Leverage for the purpose of increasing the value of the Underlying Investment Portfolio.

The terms of the renegotiated Swap and Leverage Facility generally only permit AIT to wind down the Swap and reduce the amount of leverage provided by the Leverage Facility Provider under the Leverage Facility by repaying any amounts borrowed from the Leverage Facility Provider as a cash payment or from proceeds of realising the Underlying Investment Portfolio. AIT can also request the removal of an investment from the Underlying Investment Portfolio, provided the Leverage Facility provider agrees to this request.

At the year-end, there are no investment guidelines specified in the renegotiated Swap and Leverage Facility. However there are restrictions applicable, as noted above.

Investment strategy

Laxey's investment strategy is to undertake an orderly wind down of the AIT portfolio. Under the terms of the realisation, the leverage from the Swap facility must be paid down before unitholders may receive distributions from the sale or redemption of assets held within the Swap.

Capital management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for unitholders and benefits for other stakeholders.

15. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business AIT enters into transactions in various derivative financial instruments with certain risks. The carrying value of these investments is disclosed in note 7 and 10. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors. Typically derivative instruments are used for a number of purposes including:

- a substitution for trading physical securities;
- hedging to protect an asset or liability of AIT against a fluctuation in market values or to reduce volatility;
- increases or adjusting asset exposures with parameters set in the investment strategy (for example adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios).

(a) Swaps

(i) Total return equity swap

The key terms and conditions of the swap agreement have been disclosed in the Significant Changes in State of Affairs section of the Directors' report, on pages 3 and 4.

(b) Foreign exchange

AIT is fully exposed to the local currency of the Underlying Investment Portfolio (USD).

Previously foreign exchange contracts were being used to reduce the exposure to foreign exchange risk. The terms of these contracts are disclosed in the table below.

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Foreign exchange (continued)

Consolidated
31 December 2009

No direct exposure to foreign exchange contracts.

Parent
31 December 2009

No direct exposure to foreign exchange contracts.

Consolidated 31 December 2008	Maturity	Exchange rate	AUD Revaluation $'000
Sell US$ / Buy A$			
US$ 47,150,000	16 January 2009	A$/US$0.84086	(10,850)
Buy US$ / Sell A$			
US$ 21,150,000	16 January 2009	A$/US$0.7784	2,849
US$ 1,600,000	16 January 2009	A$/US$0.8300	343
US$ 4,730,000	16 January 2009	A$/US$0.70206	(24)
US$ 5,600,000	16 January 2009	A$/US$0.6821	(261)
Buy SGD$ / Sell A$			
SGD$ 490,000	16 January 2009	SGD$/A$0.9494	(31)
Sell SGD$ / Buy A$			
SGD$ 725,000	16 January 2009	SGD$/A$1.19055	(109)
Fair value gain on derivatives (Foreign exchange hedging)			(8,083)

Parent
31 December 2008

No direct exposure to foreign exchange contracts.

16. RELATED PARTY TRANSACTIONS

Key management personnel

Other personnel

The following persons of PIML also had authority and responsibility for planning, directing and controlling the activities of AIT, directly or indirectly from 5 February 2009 and until the date of this report, as follows:

John Atkin (Executive Director (Appointed 27 January 2009))
Vicki Allen (Executive Director)
David Grbin (Executive Director)
Michael Britton (Executive Director)
Gary Kalmin (Executive Director (Appointed 5 February 2009))
Aaron Budai (Executive Director (Appointed 5 February 2009))
Eugene Quass (Executive Director (Resigned 13 February 2009))
Adrian Lucchese (Company Secretary)

The following persons of ECIML also had authority and responsibility for planning, directing and controlling the activities of AIT, directly or indirectly during the period and until the date of the removal of the Former Responsible Entity on 5 February 2009, as follows:

Trevor Gerber (Non-Executive Chairman (Resigned 6 February 2009))
Jeremy Reid (Executive Director)
Marea Laszok (Independent Director (Resigned 6 February 2009))
No Fees and payments are made to executive Directors of PIML.

AIT did not have any employees during the current or prior year.

Key management personnel loan disclosures

AIT 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 year.

Other transactions within AIT

Apart from those details disclosed in the note, no key management personnel have entered into a material contract with AIT since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

(a) Former Responsible Entity's/Former Manager's fees and Performance fees

In accordance with AIT's Constitution, the Former Responsible Entity received a total fee of 1.25% (exclusive of GST, net of tax credits available to AIT) per annum on AIT's assets.

The Former Responsible Entity was also entitled to receive an annual performance fee equal to 20% of the amount by which the actual total security holder return exceeds a notional 10% per annum compounded pre tax total security holder return, less the aggregate of any performance fees previously received by the Former Responsible Entity. Total security holder return is calculated in accordance with a formula in the AIT's Constitution.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) New Responsible Entity's/New Manager's fees

As disclosed at the unitholders' meeting held 30 January 2009, the new Responsible Entity, PIML, has charged $1 million for year 1 (excluding GST) paid monthly in arrears and thereafter it was agreed the Responsible Entity would charge 0.1% of gross assets per annum, subject to a minimum of $80,000 per annum.

Directors of PIML will not be receiving any fees from AIT.

Laxey, the new investment manager, has charged 0.75% per annum (excluding GST) of gross assets and 1% of distribution paid to investors (excluding GST). The Responsible Entity Fees and Manager's Fees in total are not to exceed 1.25% per annum of gross assets.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year between AIT, Laxey, Everest, PIML and the Former Responsible Entity were as follows:

	Consolidated As at		Parent As at	
	31 December 2009 $'000	31 December 2008 $'000	**31 December 2009 $'000**	31 December 2008 $'000
Fees for the year to the Responsible Entity	957	-	957	-
Laxey Management fees	3,059	-	3,059	-
Everest Management fees	606	-	-	-
Fees for the year to the Former Responsible Entity	1,744	15,542	1,744	15,542
	6,366	15,542	5,760	15,542

The Laxey management fees total includes a one off fee of $614,255 which paid to Laxey as a result of the Return of Capital made in August 2009.

Investments in unlisted funds managed by Everest Capital Limited (Former Investment Manager)

AIT has invested 91,942,695 units (2008: 126,062,526 units) valued at $21,799,613 (2008: $106,733,452) within a zero fee paying class in the EBI Income Fund (EBIIF) at 31 December 2009. The Trustee of EBIIF is Everest Capital Limited. The investment allows AIT to achieve its intention of accessing a diversified portfolio of assets and gaining exposure to direct investment in subordinated debt.

Through its investment in EBIIF, AIT indirectly holds 33,191,195 units (2008: 45,508,411 units) valued at $9,770,677 (2008:$34,131,384) in EBB Income Fund (EBBIF).

Everest Capital Limited is an entity that is a part of the same wholly owned group as Everest Capital Investment Management Limited.

17. SUBSIDIARIES

Subsidiary:	EBI Income Fund
Country of Incorporation:	Australia
Acquisition date:	6 December 2006
Percentage owned	73% (2008: 100%)

18. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor.

	Consolidated Year ended 31 December 2009 $'000	Consolidated Year ended 31 December 2008 $'000	Parent Year ended 31 December 2009 $'000	Parent Year ended 31 December 2008 $'000
During the year the auditor earned the following remuneration:				
Ernst & Young				
Audit and review of financial instruments	119	131	119	131
Assurance services	-	-	-	-
Total remuneration	119	131	119	131

The Responsible Entity's Board (2008: ECIML's) Audit, Risk and Compliance Committee has overseen the relationship with the external auditors since 5 February 2009. Other non audit services would not normally be provided by the external audit firm. However, if for special reasons such services were to be proposed, the former Audit & Risk Management Committee and current Responsible Entity would review the proposal to also ensure they did not affect the independence of the external audit function.

19. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

There are no commitments or contingencies as at 31 December 2009 (2008: nil).

20. SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

1. In accordance with a resolution of the Directors of the Responsible Entity, Permanent Investment Management Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of AIT are in accordance with the *Corporations Act 2001* including:

  (i) giving a true and fair view of AIT's and the consolidated entity's financial position as at 31 December 2009 and of their performance, for the year ended on that date.

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

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

2. This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 31 December 2009.

On behalf of the Board,

Director
Sydney, 26 February 2010

ERNST & YOUNG

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

Report on the Financial Report

We have audited the accompanying financial report of Alternative Investment Trust (the 'Trust'), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end.

Responsible Entity's Responsibility for the Financial Report

The directors of the Responsible Entity of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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 1(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Trust'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 Responsible Entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity of the Trust a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Alternative Investment Trust is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the financial position of Alternative Investment Trust and the consolidated entity at 31 December 2009 and of their 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*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Elliott Shadforth
Partner
Sydney
26 February 2010

UNITHOLDER INFORMATION

The following unitholder information as at 24 February 2010

A. Distribution of unitholders

Size of holding	Number of unitholders
Ranges	
1 to 1000	1,189
1001 to 5000	627
5001 to 10000	285
10001 to 100000	321
100001 and Over	23
Total	**2,445**

B. 20 Largest unitholders

Rank	Name of unitholder	Number of units	% of units issued
1	National Nominees Limited	40,141,799	30.71
2	HSBC Custody Nominess (Australia) Limited	30,743,474	23.52
3	Citicorp Nominees Pty Limited	19,335,942	14.79
4	ANZ Nominees Limited	14,678,326	11.23
5	HSBC Custody Nominess (Australia) Limited	3,076,379	2.35
6	UBS Wealth Management Australia Nominees Pty Ltd	2,997,772	2.29
7	Cogent Nominees Pty Limited	2,030,598	1.55
8	Chriswall Holdings Pty Ltd	1,000,000	0.77
9	Yuills Australia Pty Ltd	731,600	0.56
10	RBC Dexia Investor Services	676,488	0.52
11	MF Custodians Ltd	450,388	0.34
12	UBS Nominees Pty Ltd	362,062	0.28
13	RBC Dexia Investor Services	273,252	0.21
14	HSBC Custody Nominess (Australia) Limited	263,653	0.20
15	Chrysalis Pty Ltd	254,784	0.19
16	Eric George and Janine Marie Baker	239,000	0.18
17	LIC Investments Pty Ltd	160,000	0.12
18	Catholic Church Insurances Ltd	157,000	0.12
19	Pillon Nominees Pty Ltd	135,350	0.10
20	Richard Ewan Mews	130,702	0.10
TOTAL		**117,838,569**	**90.13**

UNITHOLDER INFORMATION (CONTINUED)

C. Substantial unitholders

Name of unitholder	Number of units	% of units issued
National Nominees Limited	40,141,799	30.71
HSBC Custody Nominees (Australia) Limited	30,743,474	23.52

D. Voting Rights

Voting which may attach to or be imposed on any Unit or Class of Units is as follows:

(a) On a show of hands every investor present will have 1 vote; and
(b) On a poll every investor present will have 1 vote for each dollar of the value of the total interests they have in the Trust.

Meet the Responsible Entity and Manager of Alternative Investment Trust

InterContinental Hotel, 117 Macquarie Street, Sydney, NSW

Wednesday 10th March, 2010 at 11am

Refreshments will be provided (drinks and snacks)

AIT unitholders and any interested parties are invited to attend a presentation hosted by Permanent Investment Management Limited and Laxey on Wednesday 10th March at 11am at the InterContinental Hotel, Sydney. The presentation will cover AIT's annual results for 2009, the progress made on the wind up of AIT and the manager's expectations regarding AIT's future.

http://www.thealternativeinvestmenttrust.com/