

## Annual Financial Report

**30 JUNE 2011**

BlackRock Investment Management (Australia) Limited

ABN 13 006 165 975

Australian Financial Services Licence No 230523

### **BlackRock Asset Allocation Alpha Fund**

ARSN 112 952 066

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## Directors' Report

The directors of BlackRock Investment Management (Australia) Limited, the Responsible Entity of BlackRock Asset Allocation Alpha Fund, present their report together with the financial report of BlackRock Asset Allocation Alpha Fund ("the Fund") and the consolidated financial report of BlackRock Asset Allocation Alpha Fund and its controlled scheme ("the consolidated entity") for the financial year ended 30 June 2011 and the auditor's report thereon.

### Funds Objectives

The Fund's objective is to maximise total returns by implementing a diverse range of global tactical asset allocation strategies within a flexible but disciplined risk management framework. The Fund targets a return of 12 percentage points above the UBS Australia Bank Bill Index over rolling 3 year periods gross of fees.

### Principal Activities

The Fund invested in accordance with the provisions of the Fund's Constitutions.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

### Directors

The following persons held office as directors of BlackRock Investment Management (Australia) Limited during the year or since the end of the year and up to the date of this report:

<b>Director</b>	<b>Date appointed</b>	<b>Date resigned</b>
D Frawley	Appointed 18 March 2005	
G A Boyle	Appointed 7 March 2007	Resigned 12 May 2011
C Tzatzakis	Appointed 11 September 2007	
R Bhagat	Appointed 2 December 2009	Resigned 9 September 2011
M S McCorry	Appointed 2 December 2009	
H Capra	Appointed 23 May 2011	

### Review and Results of Operations

During the year, the Fund continued to invest fund in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

**BlackRock Asset Allocation Alpha Fund**  
**Directors' Report**  
For the year ended 30 June 2011

**Results**

The performance of the Funds are represented by the results of operations as follows:

	Consolidated		Parent	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	\$'000	\$'000	\$'000	\$'000
- Operating profit /(loss) before financing costs attributable to unitholders and non-controlling interest	(43,219)	7,800	(47,104)	3,318
- Distributions paid and payable	3,844	8,832	41	4,548

**Returns**

The table below demonstrates the performance of the Fund as represented by the total return:

Funds	Returns*		
	1 Year	3 Year	5 Year
	% p.a.	% p.a.	% p.a.
<b>BlackRock Asset Allocation Alpha Fund</b>			
- C Class	(11.18)	4.21	n/a
- D Class	(10.81)	5.15	10.02
- X Class	(9.91)	7.87	13.04

\* Returns (after-fees) are calculated on the assumption that all distributions are reinvested in the Funds, and include the effect of compounding.

**Reconciliation of Net Asset Value for Unit Pricing Purposes to Financial Reporting Purposes**

The key differences between net assets for unit pricing and net assets attributable to Unitholders as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	BlackRock Asset Allocation Alpha Fund	
	Year ended	
	30 June 2011 \$ '000	30 June 2010 \$ '000
Net Assets for Unit Pricing purposes	371,151	438,343
<i>Permanent Differences</i>		
Difference between net market value (for unit pricing) and fair value (for financial statements) of financial assets held at fair value through profit or loss	(183)	(11)
<i>Timing Differences</i>		
Distribution Payable	(41)	(4,548)
Other	50	37
<b>Net Assets Attributable to Unitholders as at 30 June</b>	<u>370,977</u>	<u>433,821</u>

**Changes in State of Affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year under review.

### **Matters Subsequent to the End of the Financial Year**

Except as disclosed in the financial statements, no matters or circumstances have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Fund in future financial years.

### **Likely Developments and Expected Results of Operations**

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

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

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

### **Indemnification and Insurance of Officers and Auditor**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of BlackRock Investment Management (Australia) Limited or the auditor of the Fund. So long as the officers of BlackRock Investment Management (Australia) Limited act in accordance with the Fund Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### **Fees paid and Interest held in the Fund by the Responsible Entity or its Associates**

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 8 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year (2010: nil). Pursuant to ASIC Class Order relief, the Responsible Entity may individually negotiate fees with certain sophisticated or professional investors.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 8 of the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year are disclosed in Note 4 of the financial statements.

### **Value of Assets**

The value of the Fund's assets and liabilities is disclosed on the Balance Sheet and derived using the basis set out in Note 2 of the financial statements.

### **Environmental Regulations**

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

### **Rounding of Amounts to the Nearest Thousand Dollars**

The Fund is a registered scheme of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

**Additional Disclosures**

The Fund has applied the relief available in Class Order 98/2395 issued by the Australian Securities & Investments Commission in the preparation of this report. Accordingly, the additional information otherwise required to be included in the directors' report has been disclosed in Notes 4, 6 and 8 to the financial statements.

The Fund has applied the relief available in Class Order 10/654 issued by the Australian Securities & Investments Commission in the preparation of this report. The class order allows registered Schemes who are required to include consolidated financial statements to also include the relevant Scheme's financial statements. The financial statements disclose such additional information under the heading of parent entity.

**Auditor**

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 5.

The financial statements were authorised for issue by the directors on 27 September 2011.

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

Director  
H Capra

Director  
D Frawley

Sydney  
27 September 2011

The Board of Directors  
BlackRock Investment Management (Australia) Limited  
120 Collins Street  
Melbourne VIC 3000

## Independence Declaration – BlackRock Asset Allocation Alpha Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of BlackRock Investment Management (Australia) Limited, the Responsible Entity of the BlackRock Asset Allocation Alpha Fund.

As lead audit partner for the audit of the financial statements of BlackRock Asset Allocation Alpha Fund for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants  
Melbourne, 27 September 2011

## Balance Sheets

	Note	<b>BlackRock Asset Allocation Alpha Fund</b>			
		<b>Consolidated</b>		<b>Parent</b>	
		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
		<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Assets</b>					
Cash and Cash Equivalents	5(a)	59,482	55,584	22,753	49,113
Income Receivable		233	131	-	46
Receivables from Related Schemes	8	66	-	1,623	1,631
Other Receivables		183	125	135	31
Financial Assets Held at Fair Value Through Profit or Loss					
- Units in Related Schemes	8	-	-	350,962	382,928
- Fixed Interest Securities		174,456	217,503	-	-
- Discount Securities		201,603	261,100	-	-
Financial Assets Held for Trading					
- Futures		612	-	612	-
- Options		6,180	3,074	6,180	3,074
- Swaps		4,171	6,749	4,171	6,749
- Forward Foreign Exchange Contracts		<u>1,316</u>	<u>6,015</u>	<u>1,316</u>	<u>6,015</u>
<b>Total Assets</b>		<u>448,302</u>	<u>550,281</u>	<u>387,752</u>	<u>449,587</u>
<b>Liabilities</b>					
Bank Overdraft	5(a)	11,136	2,051	11,134	2,051
Margin Accounts		1,568	-	1,568	-
Distribution Payable		285	4,984	41	4,548
Accounts Payable and Accrued Expenses		1,014	1,225	931	1,134
Financial Liabilities Held for Trading					
- Futures		753	-	753	-
- Swaps		1,386	779	1,386	779
- Forward Foreign Exchange Contracts		<u>962</u>	<u>7,254</u>	<u>962</u>	<u>7,254</u>
<b>Total Liabilities (Excluding Net Assets Attributable To Unitholders)</b>		<u>17,104</u>	<u>16,293</u>	<u>16,775</u>	<u>15,766</u>
Net Assets Attributable to Non-Controlling Interests (Liability)		60,221	100,167	-	-
Net Assets Attributable to Unitholders (Liability)	4	<u>370,977</u>	<u>433,821</u>	<u>370,977</u>	<u>433,821</u>
<b>Net Assets</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above Balance Sheets should be read in conjunction with the accompanying notes.

## Statements of Comprehensive Income

<b>BlackRock Asset Allocation Alpha Fund</b>				
	<b>Consolidated</b>		<b>Parent</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Note</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Investment Income</b>				
Net Gain/(Loss) on Financial Instruments held at Fair Value through Profit or Loss	24,735	19,644	1,528	1,079
Net Gain/(Loss) on Financial Instruments held for Trading	(65,691)	(9,499)	(65,730)	(9,501)
Distributions from Related Schemes	8	-	20,246	13,868
Interest Income	2,188	1,182	306	459
Dividend Income	-	-	-	-
Fee Rebates from Related Schemes	8(c)	711	827	711
Other Investing Income	191	(44)	190	(43)
<b>Total Investment Income/(Loss)</b>	<u>(37,750)</u>	<u>11,994</u>	<u>(42,633)</u>	<u>6,573</u>
<b>Expenses</b>				
Responsible Entity's Fees	8(a)	4,414	3,423	3,116
Transaction Costs		1,055	1,048	13
Other Operating Expenses		-	-	126
<b>Total Operating Expenses</b>		<u>5,469</u>	<u>4,471</u>	<u>3,255</u>
<b>Net Operating Profit/(Loss)</b>		<u>(43,219)</u>	<u>(47,104)</u>	<u>3,318</u>
<b>Financing Costs Attributable to Unitholders</b>				
Distributions to Unitholders of the Parent Entity		41	41	4,548
Distributions to Non-Controlling Interests		3,803	-	4,284
Increase/(Decrease) in Net Assets Attributable to Unitholders of the Parent Entity	4	(47,145)	(47,145)	(1,230)
Increase/(Decrease) in Net Assets Attributable to Non-Controlling Interests		82	-	198
<b>Net Profit/(Loss) for the Year</b>		<u>-</u>	<u>-</u>	<u>-</u>
Other Comprehensive Income		-	-	-
<b>Total Comprehensive Income for the year</b>		<u>-</u>	<u>-</u>	<u>-</u>
Profit attributable to:				
Unitholders of the Parent Entity		-	-	-
Non Controlling Interests		-	-	-
Total Comprehensive Income Attributable to:				
Unitholders of the Parent Entity		-	-	-
Non-Controlling Interests		-	-	-

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

## Statement of Cash Flows

<b>BlackRock Asset Allocation Alpha Fund</b>					
<b>Consolidated</b>					
<b>Parent</b>					
Note	2011	2010	2011	2010	
	\$ '000	\$ '000	\$ '000	\$ '000	
<b>Cash Flows from Operating Activities</b>					
Proceeds from Sale of Financial Instruments held at Fair Value through Profit or Loss	2,235,065	2,375,646	417,513	375,285	
Purchase of Financial Instruments held at Fair Value through Profit or Loss	(2,173,552)	(2,465,607)	(449,822)	(489,570)	
Transaction Costs on Purchase of Financial Instruments held at Fair Value through Profit or Loss	(1,055)	(13)	(1,048)	(13)	
Interest Received	2,098	1,095	365	416	
Distributions from Related Schemes	-	-	20,250	12,963	
Responsible Entity Fee Rebates Received	827	-	827	689	
Other Income Received	(106)	(44)	(82)	(44)	
Responsible Entity Fees Paid	(4,466)	(3,216)	(3,469)	(2,985)	
Operating Expenses Paid	(117)	23	(116)	27	
Interest Paid	-	(121)	-	(121)	
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>5(b) 58,694</b>	<b>(92,237)</b>	<b>(15,582)</b>	<b>(103,353)</b>	
<b>Cash Flows from Financing Activities</b>					
Proceeds from Applications by Unitholders	563,615	798,448	121,480	229,325	
Payments for Redemptions by Unitholders	(626,338)	(703,836)	(140,183)	(87,795)	
Distributions Paid	(2,148)	(2,443)	(2,148)	(2,443)	
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>(64,871)</b>	<b>92,169</b>	<b>(20,851)</b>	<b>139,087</b>	
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>					
	(6,177)	(68)	(36,433)	35,734	
Cash and Cash Equivalents at the beginning of the financial year	53,533	53,381	47,062	11,108	
Effects of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	990	220	990	220	
<b>Cash and Cash Equivalents at the end of the financial year</b>	<b>5(a) 48,346</b>	<b>53,533</b>	<b>11,619</b>	<b>47,062</b>	
Non-cash Financing Activities	5(c) 6,396	8,167	2,400	4,002	

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

## Statements of Changes in Equity

	<b>BlackRock Asset Allocation Alpha Fund</b>			
	<b>Consolidated</b>		<b>Parent</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Total Equity at the Beginning of the Financial Year</b>				
Profit/(Loss) for the year	-	-	-	-
Other Comprehensive Income for the year	-	-	-	-
<b>Total Comprehensive Income for the Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transactions with Owners in their Capacity as Owners	-	-	-	-
<b>Total Equity at the End of the Financial Year</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a financial liability rather than equity. As a result there was no equity at the start or end of the year.

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

## **NOTE 1: GENERAL INFORMATION**

This financial report includes the financial statements for BlackRock Asset Allocation Alpha Fund (“the Fund”) as an individual entity. The Fund was constituted on 14 February 2005. The financial report also includes the financial statements for BlackRock Asset Allocation Alpha Fund as a consolidated entity and its subsidiary, BlackRock Institutional Liquidity Fund.

The Responsible Entity of the Fund is BlackRock Investment Management (Australia) Limited (the “Responsible Entity”). The Responsible Entity’s registered office is 120 Collins Street, Melbourne, VIC, 3000.

The financial statements were authorised for issue by the directors on 27 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **(a) Statement of Compliance and Basis of Preparation**

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

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

The Balance Sheets are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

#### *Compliance with International Financial Reporting Standards*

The financial statements of the Fund and consolidated entity also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **(b) Financial Instruments**

#### **(i) Classification**

The Fund’s investments are classified at fair value through the profit or loss. They comprise:

- Financial Instruments held for Trading

Derivative financial instruments such as futures, options, swaps and forward contracts are included under this classification. The Fund does not designate any derivatives as hedging instruments in a hedging relationship.

- Financial Instruments held at Fair Value through the Profit or Loss

These include financial assets that are not held for trading purposes and which may be sold. These are investments in listed equity, listed unit trusts, unlisted unit trusts and fixed interest securities.

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

#### **(ii) Recognition/Derecognition**

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

Investments are derecognised when the rights to receive cashflows from the investments have expired or the Fund have transferred substantially all risks and rewards of ownership.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(iii) Measurement**

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

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

- Fair value in an active market

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

- Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not exchange traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such differences exist, the Funds recognise the difference in the Statements of Comprehensive Income to reflect a change in factors, including time, that market participants would consider in setting a price.

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

**(c) Business Combinations**

Business combinations relate to the acquisition by the Fund of controlling interests in other entities. The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the consideration given plus costs directly attributable to the acquisition.

**(d) Net Assets Attributable to Unitholders**

The units are redeemable at any time at the option of the unitholder. Further to the obligation to redeem the units upon request, the Fund is required to fully distribute all taxable income, both obligations resulting in the units being classified as financial liabilities in accordance with AASB 132 Financial Instruments: Presentation. The units are presented as financial liabilities in the balance sheet and referred to as 'Net assets attributable to unitholders'. The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable at the balance sheet date if unitholders exercised their right to put the units back to the Fund. Because the Fund's redemption unit prices are based on different valuation principles to that applied in financial reporting, a valuation difference may exist. Changes in the value of this financial liability are recognised in the Statements of Comprehensive Income.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as liabilities on the Balance Sheets.

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Foreign Currency Translation**

*Functional and Presentation Currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and are regulated. The Australian dollar is also the Fund's presentation currency.

*Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statements of Comprehensive Income.

The Fund does not isolate that portion of gains or losses on financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included in the net gains or losses on financial instruments at fair value through profit or loss.

**(g) Investment Income and Expenses**

Interest income and expenses are recognised in the Statements of Comprehensive Income for all fixed interest securities using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

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, the Fund estimates cash flows, considering all contractual terms of the financial instrument (for example, prepayment options), but do 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.

Dividend income is recognised on the ex-dividend date. The Fund may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax on the Statements of Comprehensive Income. If a portion of the foreign withholding taxes is reclaimable, it is recorded as an asset.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

**(h) Principles of Consolidation - Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the BlackRock Asset Allocation Alpha Fund ("the parent entity") as at 30 June 2011 and for the results for the year then ended. The parent entity and its subsidiary together are referred to in this financial statements as the consolidated entity.

Subsidiaries are all those investments in schemes (including special purpose vehicles) over which the parent entity has the power to govern the financial and operating policies, generally accompanying a unitholding of more than one-half of the units on issue. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the parent entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the parent entity. They are deconsolidated from the date that control ceases. Investments are derecognised when the right to receive cashflows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Non-Controlling interests in the results and net assets of subsidiaries are shown separately in the consolidated Statements of Comprehensive Income and Balance Sheets respectively.

Investments in subsidiaries are measured in accordance with Note 2(b).

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Distributions**

In accordance with the Fund's Constitution, the Fund distributes its distributable (taxable) income and any other amounts determined by the Responsible Entity, to the unitholders by cash or reinvestment. Distributions are recognised in the Statements of Comprehensive Income as finance costs attributable to unitholders.

**(j) Income tax**

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

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

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statements of Comprehensive Income.

**(k) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Fund such as Responsible Entity fees, audit fees, custody fees and other expenses, have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC's) at a rate of 75% hence Responsible Entity fees, audit fees, custody fees and other expenses have been recognised in the Statements of Comprehensive Income net of the amount of GST recoverable from the Australian Tax Office ("ATO"). Accounts Payable and Accrued Expenses are stated inclusive of GST. The net amount of GST recoverable from the ATO is included in Other Receivables in the Balance Sheets. Cash flows relating to GST are included in the Statements of Cash Flows on a gross basis.

**(l) Increase/Decrease in Net Assets Attributable to Unitholders**

Non-distributable income is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statements of Comprehensive Income as financing costs.

**(m) Receivables**

Receivables may include amounts for dividends, interest, trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the balance sheet date from the time of the last payment using the effective interest rate method. Amounts due from brokers represent receivables for securities that have been contracted for but not yet delivered by balance sheet date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Funds will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency on payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statements of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statements of Comprehensive Income.

**(n) Payables**

Payables include amounts due to brokers, liabilities and accrued expenses owing by the Fund which is unpaid as at balance date. Trades are recorded on trade date, and normally settled within three business days. Purchases of securities and investments that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the Balance Sheets as unitholders are presently entitled to the distributable income as at 30 June 2011 under the Fund's Constitution.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Applications and Redemptions**

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

Unit redemption prices are determined by reference to the net assets for unit pricing purposes of the Fund divided by the number of units on issue at or immediately prior to close of business each day. Issue and redemptions of units are processed simultaneously.

**(p) Expenses**

All expenses, including Responsible Entity's fees are recognised in Statements of Comprehensive Income on an accruals basis.

**(q) New Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

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

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

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

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The Fund will apply the amended standard from 1 July 2011. The amendments will not have any effect of the Fund's financial statements.

- (iii) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Fund's disclosures. The Fund intends to apply the amendment from 1 July 2011.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (iv) Amendments to AASB2010-4 *Further Amendments to Australian Accounting Standards* arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

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

- (v) IFRS 13 *Fair Value Measurement* (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The consolidated entity does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

- (vi) IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in other Entities* and revised IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (effective 1 January 2013)

In May 2011, the IASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. The AASB is expected to issue equivalent Australian standards shortly.

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements*, and SIC-12 *Consolidation - special purpose entities*. The core principle that a consolidated entity presents and parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the consolidated entity does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenue, expenses, assets and liabilities in much the same way as under the previous standard. IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the consolidated entity is not party to any joint arrangements, this standard will not have any impact on its financial statements.

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard by the consolidated entity will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the consolidated entity's investments.

IAS 27 is renamed *Separated Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the consolidated entity and parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the parent's investment in the separate parent entity financial statements.

Amendments to IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The consolidated entity is still assessing the impact of these amendments.

The consolidated entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting ended 30 June 2014.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(r) Rounding of Amounts**

The Fund is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the director's report and financial statements. Amounts in the director's report and the financial statements have been rounded off in accordance with that Class Order, unless otherwise indicated.

**(s) Use of Estimates**

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

**(t) Margin Accounts**

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

**NOTE 3: FINANCIAL RISK MANAGEMENT**

The Fund's activities expose them to a variety of financial risks: credit risk, liquidity risk and market risk (including price risk, currency risk and interest rate risk). The Fund's overall risk management programmes focus on ensuring compliance with the Fund's Product Disclosure Statement and seek to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund may use derivative financial instruments to moderate and create certain risk exposures. Financial risk management is carried out by the Investment Risk Management Committee (IRMC) under policies approved by the Board of Directors of the Responsible Entity (the Board).

The Fund uses different methods to measure different types of risk to which they are exposed. These methods include Value at Risk ("VaR") analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk. VaR Analysis is explained in Note 3(b).

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

**(a) Market Risk**

**(i) Price Risk**

The Fund is exposed to price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the Balance Sheets as fair value through profit or loss. Where non monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Note 3 (a) (ii) below sets out how this component of price and risk is managed and measured. Investments are classified in the Balance Sheets as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

Market risk is managed and monitored by the Responsible Entity on a portfolio basis, with risks managed through ensuring that investment activities are undertaken in accordance with the Fund's investment model which is reviewed and updated regularly.

The Responsible Entity continuously monitors the Fund's holdings relative to the recommended portfolio, and the exposure of the Fund is monitored to ensure that they remain within designated ranges or asset allocation constraints, taking into account any derivative position being used to manage risks.

In addition, the IRMC regularly reviews the Fund to ensure the Fund is following the appropriate investment models, its portfolio is in accordance with its stated guidelines and restrictions, and the performance of the Funds remain in expected bounds.

The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

At the reporting date, the notional principle amounts of derivative financial instruments held by the Fund were as follows:

	2011				2010			
	Notional Principal Amount			Fair Value	Notional Principal Amount			Fair Value
	Asset	Liability	Net		Asset	Liability	Net	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BlackRock Asset Allocation Alpha Fund- Consolidated</b>								
<b>2011</b>								
Option - International	4,981	(829)	4,152	6,180	3,135	(61)	3,074	3,074
Futures - Domestic	-	-	-	-	-	(304,498)	(304,498)	-
Futures - International	60,946	(21,659)	39,287	(141)	65,844	(65,262)	582	-
Swaps	341,199	(593,796)	(252,597)	2,785	817,198	(811,228)	5,970	5,970
Forward Foreign Exchange Contracts	265,365	(265,011)	354	354	597,266	(598,505)	(1,239)	(1,239)

	2011				2010			
	Notional Principal Amount			Fair Value	Notional Principal Amount			Fair Value
	Asset	Liability	Net		Asset	Liability	Net	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BlackRock Asset Allocation Alpha Fund - Parent</b>								
Option - International	4,981	(829)	4,152	6,180	3,135	(61)	3,074	3,074
Futures - Domestic	-	-	-	-	-	(304,498)	(304,498)	-
Futures - International	60,946	(21,659)	39,287	(141)	65,844	(65,262)	582	-
Swaps	341,199	(593,796)	(252,597)	2,785	817,198	(811,228)	5,970	5,970
Forward Foreign Exchange Contracts	265,365	(265,011)	354	354	597,266	(598,505)	(1,239)	(1,239)

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

**(ii) Foreign Exchange Risk**

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other countries will fluctuate due to changes in exchange rates. This risk is measured using VaR analysis.

Foreign exchange risk is managed using forward foreign exchange contracts and other derivatives in accordance with Fund guidelines and restrictions. Daily monitoring is undertaken to ensure instruments used and exposures created are consistent with the investment strategy and objective of the Fund. For accounting purposes, the Fund does not designate any derivatives as hedging instruments in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

Section (b) Summarised VaR analysis explains how the risk is measured and summarises the potential exposure of the Funds' net assets attributable to unitholders.

The table below summarises the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

<b>BlackRock Asset Allocation Alpha Fund - Consolidated 30 June 2011</b>	<b>Euro</b>	<b>United States Dollar</b>	<b>Japanese Yen</b>	<b>British Pound</b>	<b>Australian Dollar</b>	<b>Canadian Dollar</b>	<b>Other Currencies</b>	<b>Total</b>
	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>
<b>Assets</b>								
Cash and Cash Equivalents	30	3,244	82	219	52,260	24	3,623	59,482
Financial Instruments held at Fair Value through Profit or Loss *	-	-	-	-	376,059	-	-	376,059
Financial Instruments held for Trading **	1,198	2,053	-	70	6,853	1,339	766	12,279
Other Assets	-	-	-	-	482	-	-	482
<b>Total Assets</b>	<u>1,228</u>	<u>5,297</u>	<u>82</u>	<u>289</u>	<u>435,654</u>	<u>1,363</u>	<u>4,389</u>	<u>448,302</u>
<b>Liabilities</b>								
Bank Overdraft	-	2,317	1,266	-	5,098	333	2,122	11,136
Margin Accounts	1,568	-	-	-	-	-	-	1,568
Accounts Payable and Accrued Expenses	604	-	-	42	368	-	-	1,014
Distribution Payable	-	-	-	-	285	-	-	285
Financial Instruments held for Trading **	-	753	-	-	2,348	-	-	3,101
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<u>2,172</u>	<u>3,070</u>	<u>1,266</u>	<u>42</u>	<u>8,099</u>	<u>-</u>	<u>2,122</u>	<u>17,104</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>(944)</u>	<u>2,227</u>	<u>(1,184)</u>	<u>247</u>	<u>427,555</u>	<u>1,363</u>	<u>2,267</u>	<u>431,198</u>
Increases in exposure from currency contracts	53,771	40,466	4,107	25,277	(256,075)	-	132,454	-
Decreases in exposure from currency contracts	(53,431)	(65,065)	(20,535)	(10,010)	250,767	-	(101,726)	-
Net exposure from currency Swaps and Options	-	2,598	-	-	(2,784)	-	186	-
<b>Total Foreign Currency Exposure</b>	<u>(604)</u>	<u>(19,774)</u>	<u>(17,612)</u>	<u>15,514</u>	<u>419,463</u>	<u>1,363</u>	<u>33,181</u>	<u>431,198</u>

\* Fixed interest securities and discount securities for the consolidated entity.

\*\* Includes derivatives which have been classified as Australian dollar exposure in the above analysis.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund- Parent 30 June 2011</b>	<b>Euro</b>	<b>United States Dollar</b>	<b>Japanese Yen</b>	<b>British Pound</b>	<b>Australian Dollar</b>	<b>Canadian Dollar</b>	<b>Other Currencies</b>	<b>Total</b>
	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>
<b>Financial Assets</b>								
Cash and Cash Equivalents	30	3,244	82	219	15,638	24	3,516	22,753
Financial Instruments held at Fair Value through Profit or Loss *	-	-	-	-	350,962	-	-	350,962
Financial Instruments held for Trading **	1,198	2,053	-	70	6,854	1,339	765	12,279
Other Assets	-	-	-	-	1,758	-	-	1,758
<b>Total Assets</b>	<u>1,228</u>	<u>5,297</u>	<u>82</u>	<u>289</u>	<u>375,212</u>	<u>1,363</u>	<u>4,281</u>	<u>387,752</u>
<b>Financial Liabilities</b>								
Bank Overdraft	-	2,317	1,266	-	5,096	333	2,122	11,134
Margin Accounts	1,568	-	-	-	-	-	-	1,568
Accounts Payable and Accrued Expenses	604	-	-	42	285	-	-	931
Distribution Payable	-	-	-	-	41	-	-	41
Financial Instruments held for Trading **	-	753	-	-	2,348	-	-	3,101
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<u>2,172</u>	<u>3,070</u>	<u>1,266</u>	<u>42</u>	<u>7,770</u>	<u>333</u>	<u>2,122</u>	<u>16,775</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>(944)</u>	<u>2,227</u>	<u>(1,184)</u>	<u>247</u>	<u>367,442</u>	<u>1,030</u>	<u>2,159</u>	<u>370,977</u>
Increases in exposure from currency contracts	53,771	40,466	4,107	25,277	(256,075)	-	132,454	-
Decreases in exposure from currency contracts	(53,431)	(65,065)	(20,535)	(10,010)	250,767	-	(101,726)	-
Net exposure from currency Swaps and Options	-	2,598	-	-	(2,785)	-	187	-
<b>Total Foreign Currency Exposure</b>	<u>(604)</u>	<u>(19,774)</u>	<u>(17,612)</u>	<u>15,514</u>	<u>359,349</u>	<u>1,030</u>	<u>33,074</u>	<u>370,977</u>

\* Unit trust holdings for the parent entity.

\*\* Includes derivatives which have been classified as Australian dollar exposure in the above analysis.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund - Consolidated 30 June 2010</b>	<b>Euro</b>	<b>United States Dollar</b>	<b>Japanese Yen</b>	<b>British Pound</b>	<b>Australian Dollar</b>	<b>Canadian Dollar</b>	<b>Other Currencies</b>	<b>Total</b>
	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>
<b>Assets</b>								
Cash and Cash Equivalents	51	62	-	27	55,260	28	156	55,584
Financial Instruments held at Fair Value through Profit or Loss *	-	-	-	-	478,603	-	-	478,603
Financial Instruments held for Trading **	-	3,074	-	-	12,764	-	-	15,838
Other Assets	-	57	-	-	198	-	1	256
<b>Total Assets</b>	<u>51</u>	<u>3,193</u>	<u>-</u>	<u>27</u>	<u>546,825</u>	<u>28</u>	<u>157</u>	<u>550,281</u>
<b>Liabilities</b>								
Bank Overdraft	767	1,239	-	41	-	-	4	2,051
Accounts Payable and Accrued Expenses	-	282	-	-	943	-	-	1,225
Distribution Payable	-	-	-	-	4,984	-	-	4,984
Financial Instruments held for Trading **	-	-	-	-	8,033	-	-	8,033
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<u>767</u>	<u>1,521</u>	<u>-</u>	<u>41</u>	<u>13,960</u>	<u>-</u>	<u>4</u>	<u>16,293</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>(716)</u>	<u>1,672</u>	<u>-</u>	<u>(14)</u>	<u>532,865</u>	<u>28</u>	<u>153</u>	<u>533,988</u>
Increases in exposure from currency contracts	230,306	277,866	67,021	-	(597,265)	-	22,072	-
Decreases in exposure from currency contracts	(230,306)	(325,837)	(20,315)	-	598,505	-	(22,047)	-
Net exposure from currency Swaps and Options	-	-	-	-	-	-	-	-
<b>Total Foreign Currency Exposure</b>	<u>(716)</u>	<u>(46,299)</u>	<u>46,706</u>	<u>(14)</u>	<u>534,105</u>	<u>28</u>	<u>178</u>	<u>533,988</u>

\* Fixed interest securities and discount securities for the consolidated entity.

\*\* Includes derivatives which have been classified as Australian dollar exposure in the above analysis.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund- Parent 30 June 2010</b>	<b>Euro</b>	<b>United States Dollar</b>	<b>Japanese Yen</b>	<b>British Pound</b>	<b>Australian Dollar</b>	<b>Canadian Dollar</b>	<b>Other Currencies</b>	<b>Total</b>
	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>
<b>Financial Assets</b>								
Cash and Cash Equivalents	51	62	-	27	48,789	28	156	49,113
Financial Instruments held at Fair Value through Profit or Loss *	-	-	-	-	382,928	-	-	382,928
Financial Instruments held for Trading **	-	3,074	-	-	12,764	-	-	15,838
Other Assets	-	57	-	-	1,651	-	-	1,708
<b>Total Assets</b>	<u>51</u>	<u>3,193</u>	<u>-</u>	<u>27</u>	<u>446,132</u>	<u>28</u>	<u>156</u>	<u>449,587</u>
<b>Financial Liabilities</b>								
Bank Overdraft	767	1,239	-	41	-	-	4	2,051
Accounts Payable and Accrued Expenses	-	282	-	-	852	-	-	1,134
Distribution Payable	-	-	-	-	4,548	-	-	4,548
Financial Instruments held for Trading **	-	-	-	-	8,033	-	-	8,033
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<u>767</u>	<u>1,521</u>	<u>-</u>	<u>41</u>	<u>13,433</u>	<u>-</u>	<u>4</u>	<u>15,766</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>(716)</u>	<u>1,672</u>	<u>-</u>	<u>(14)</u>	<u>432,698</u>	<u>28</u>	<u>152</u>	<u>433,821</u>
Increases in exposure from currency contracts	230,306	277,866	67,021	-	(597,265)	-	22,072	-
Decreases in exposure from currency contracts	(230,306)	(325,837)	(20,315)	-	598,505	-	(22,047)	-
Net exposure from currency Swaps and Options	-	-	-	-	-	-	-	-
<b>Total Foreign Currency Exposure</b>	<u>(716)</u>	<u>(46,299)</u>	<u>46,706</u>	<u>(14)</u>	<u>433,939</u>	<u>28</u>	<u>177</u>	<u>433,821</u>

\* Unit trust holdings for the parent entity.

\*\* Includes derivatives which have been classified as Australian dollar exposure in the above analysis.

**(iii) Interest Rate Risk**

The Fund's interest bearing financial assets and liabilities expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial positions and cash flows.

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

Interest rate risk is mitigated through ensuring activities are transacted in accordance with mandates, overall investment strategy and within approved limits. The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

The disclosure for the BlackRock Asset Allocation Alpha Fund have not been made on a look through basis for investments held indirectly through the underlying Fund. The disclosure of interest rate risk may not present the true interest rate risk profile of the Fund where the underlying Funds has significant exposure to interest rate risk.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair value:

<b>BlackRock Asset Allocation Alpha Fund - Consolidated</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>30 June 2011</b>				
<b>Financial Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and Cash Equivalents	59,482	-	-	59,482
Income Receivable	-	-	233	233
Receivables from Related Schemes	-	-	66	66
Other Receivables	-	-	183	183
Financial Instruments held at Fair Value through Profit or Loss				
Fixed Interest Securities	173,704	-	752	174,456
Discount Securities	-	-	201,603	201,603
Financial Instruments held for Trading				
Futures	-	-	612	612
Options	-	-	6,180	6,180
Swaps	-	-	4,171	4,171
Forward Foreign Exchange Contracts	-	-	<u>1,316</u>	<u>1,316</u>
<b>Total Assets</b>	<u>233,186</u>	<u>-</u>	<u>215,116</u>	<u>448,302</u>
<b>Financial Liabilities</b>				
Bank Overdraft	11,136	-	-	11,136
Margins Accounts	1,568	-	-	1,568
Distribution Payable	-	-	285	285
Accounts Payable and Accrued Expenses	-	-	1,014	1,014
Financial Instruments held for Trading				
Futures	-	-	753	753
Swaps	-	-	1,386	1,386
Forward Foreign Exchange Contracts	-	-	<u>962</u>	<u>962</u>
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<u>12,704</u>	<u>-</u>	<u>4,400</u>	<u>17,104</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>220,482</u>	<u>-</u>	<u>210,716</u>	<u>431,198</u>

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund - Parent</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>30 June 2011</b>				
<b>Financial Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and Cash Equivalents	22,753	-	-	22,753
Income Receivable	-	-	-	-
Receivables from Related Schemes	-	-	1,623	1,623
Other Receivables	-	-	135	135
Financial Instruments held at Fair Value through Profit or Loss				
Units in Related Schemes	-	-	350,962	350,962
Financial Instruments held for Trading				
Futures	-	-	612	612
Options	-	-	6,180	6,180
Swaps	-	-	4,171	4,171
Forward Foreign Exchange Contracts	-	-	1,316	1,316
<b>Total Assets</b>	<u>22,753</u>	<u>-</u>	<u>364,999</u>	<u>387,752</u>
<b>Financial Liabilities</b>				
Bank Overdraft	11,134	-	-	11,134
Margin Accounts	1,568	-	-	1,568
Distribution Payable	-	-	41	41
Accounts Payable and Accrued Expenses	-	-	931	931
Financial Instruments held for Trading				
Futures	-	-	753	753
Swaps	-	-	1,386	1,386
Forward Foreign Exchange Contracts	-	-	962	962
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<u>12,702</u>	<u>-</u>	<u>4,073</u>	<u>16,775</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>10,051</u>	<u>-</u>	<u>360,926</u>	<u>370,977</u>

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund - Consolidated</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>30 June 2010</b>				
<b>Financial Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and Cash Equivalents	55,584	-	-	55,584
Income Receivable	-	-	131	131
Other Receivables	-	-	125	125
Financial Instruments Held at Fair Value through Profit or Loss				
Fixed Interest Securities	117,958	99,508	37	217,503
Discount Securities	-	-	261,100	261,100
Financial Instruments Held for Trading				
Options	-	-	3,074	3,074
Swaps	-	-	6,749	6,749
Forward Foreign Exchange Contracts	-	-	6,015	6,015
<b>Total Assets</b>	<u>173,542</u>	<u>99,508</u>	<u>277,231</u>	<u>550,281</u>
<b>Financial Liabilities</b>				
Bank Overdraft	2,051	-	-	2,051
Distribution Payable	-	-	4,984	4,984
Accounts Payable and Accrued Expenses	-	-	1,225	1,225
Financial Instruments Held for Trading				
Swaps	-	-	779	779
Forward Foreign Exchange Contracts	-	-	7,254	7,254
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<u>2,051</u>	<u>-</u>	<u>14,242</u>	<u>16,293</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>171,491</u>	<u>99,508</u>	<u>262,989</u>	<u>533,988</u>

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund - Parent</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>30 June 2010</b>				
<b>Financial Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and Cash Equivalents	49,113	-	-	49,113
Income Receivable	-	-	46	46
Receivables from Related Schemes	-	-	1,560	1,560
Other Receivables	-	-	102	102
Financial Instruments Held at Fair Value through Profit or Loss				
Units in Related Schemes	-	-	382,928	382,928
Financial Instruments Held for Trading				
Options	-	-	3,074	3,074
Swaps	-	-	6,749	6,749
Forward Foreign Exchange Contracts	-	-	6,015	6,015
<b>Total Assets</b>	<b>49,113</b>	<b>-</b>	<b>400,474</b>	<b>449,587</b>
<b>Financial Liabilities</b>				
Bank Overdraft	2,051	-	-	2,051
Distribution Payable	-	-	4,548	4,548
Accounts Payable and Accrued Expenses	-	-	1,134	1,134
Financial Instruments Held for Trading				
Swaps	-	-	779	779
Forward Foreign Exchange Contracts	-	-	7,254	7,254
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<b>2,051</b>	<b>-</b>	<b>13,715</b>	<b>15,766</b>
<b>Net Assets Attributable to Unitholders - Liability</b>	<b>47,062</b>	<b>-</b>	<b>386,759</b>	<b>433,821</b>

The Manager uses interest rate swaps as part of the overall investment strategy and to manage the Fund within its limits. The gross notional value of these swaps at 30 June 2011 was \$381,427,000 resulting in an asset at fair value on the balance sheet of \$187,000 (30 June 2010: \$1,66,555,000, fair value asset \$5,970,000). The Fund can hold a variety of swaps including interest rate swaps and credit default swaps. The exposure figures above do not reflect the impact of these.

**(b) Summarised VaR Analysis**

Value at Risk (VaR) is a risk model used to estimate the potential losses that could occur on the Fund's net asset value position due to movements in interest rates, currency and market prices over a given period and for a specified degree of confidence.

BlackRock uses VaR analysis and/or tracking error estimates to measure and manage risk as these are commonly used and understood models, are easily interpreted and are consistent across different asset classes and types of Funds. For the purpose of these accounts VaR analysis has been presented, in some classes derived from tracking estimates. The objective in all cases is to estimate potential losses and manage the downside risk.

The tables below summarise the outputs of the VaR model in relation to interest rate, currency and price risk exposures. The total VaR figures are not the sum of individual risk components as this does not include correlations between the different risk factors.

BlackRock calculate VaR relative to the Fund's benchmark. The analysis implies that the Manager can be 95% confident that the value of the portfolio will not decrease by any more than the figures in the table below relative to a portfolio of the same value as the Fund's portfolios which replicates the composition of the benchmark over the 5 day period from 30 June.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

**Value at Risk for BlackRock Asset Allocation Alpha Fund - Parent**

	2011		2010	
	\$'000	%	\$'000	%
Total Portfolio Risk	6,304	1.70	2,939	0.68

^ VaR has been calculated on Net Assets Attributable to Unitholders before rounding.

*Detailed information about the models*

There are a number of different VaR models used within the Funds Management industry. BlackRock uses one or more of ex-ante and ex-post estimates of portfolio risk relative to benchmark and the Monte Carlo simulation model depending on the Funds type. Models are calculated using historical data and a covariance matrix where applicable.

The models used by BlackRock have the following features:

- VaR is calculated to a 95 per cent confidence level. VaR at a confidence level identifies the maximum expected loss under that confidence level;
- VaR is calculated for a 5 day holding. The time horizon of five days is selected to coincide with the period used to analyse the portfolio positions. The risk data is examined in various daily, weekly and monthly forums;
- The portfolio VaR is not the simple sum of the individual asset stand alone VaRs; the correlations among assets in the portfolio are considered.

Although VaR is a valuable risk management tool it should be interpreted, as with all predictive models, with consideration to its assumptions and limitations. The main assumptions and limitations are listed below:

- Models assume certain financial variables are normally distributed: The normality assumption allows BlackRock to scale portfolio risk estimates to the appropriate confidence levels. The normality assumption is derived from statistical analysis for examining sample populations of observations and the implications of not assuming normality would preclude the use of most statistical tools including mainstream commercial models for risk measurement.
- The use of historical returns and correlations between assets would not take into account future potential events: It is a commonly stated and well-recognised limitation that past performance is not a reliable indicator of future performance.
- Model risk, in general terms, is a known limitation that includes: the quality or accuracy of the underlying data, where significant events occur within the data, the changing sensitivity of the Funds' assets to external market factors over time, and appreciating that using only one model may be limiting in itself to obtaining the best understanding of a Funds' risk position.

BlackRock acknowledges these limitations and thus compares ex-ante to ex-post risk estimates to review expectations versus actual outcomes. Should ex-post values differ significantly from ex-ante returns, an assessment of the reasons for this will be made.

The Fund's risk is managed with constant review of both performance and risk numbers by the investment professionals within the business. These reviews consist of:

- Weekly meetings between the global members of Risk & Quantitative Analysis (RQA). These meetings include RQA Australia.
- Monthly meetings between RQA and the Funds Managers.
- Monthly meetings between RQA and the Chief Investment Officer.
- Ad hoc presentations to the Investment Risk Management Committee (IRMC) to keep IRMC abreast of RQA processes and latest updates.
- Daily report of performance figures along with a comparison of ex-ante versus ex-post returns sent to RQA London.
- RQA professionals sitting and working closely with the Funds Managers every day.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

**(c) Credit Risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, when they fall due.

Credit risk primarily arises from investments in debt instruments and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market.

**(i) Interest Bearing Securities**

An analysis of debt securities as at 30 June by rating is set out in the table below.

<b>Rating</b>	<b>BlackRock Asset Allocation Alpha Fund -Consolidation</b>	
	<b>2011</b>	<b>2010</b>
	<b>% Portfolio</b>	<b>% Portfolio</b>
P1/A1+	30.48	58.30
P1/A1	35.73	16.34
P2/A2	8.46	-
AAA	21.79	21.47
AA+	1.04	-
AA	0.55	1.77
AA-	0.37	0.21
A	-	0.73
BBB+	0.24	0.20
BBB	-	0.97
Other	1.22	0.01
Cash	0.12	-
Total	100.00	100.00

**(ii) Derivatives**

All exchange traded derivatives are executed through brokers, and cleared through a clearing broker and approved by the IRMC. Over the counter derivative transactions are conducted only with approved counterparties, who meet the applicable specific Funds requirements and where trading documentation is in place.

To minimise credit risk, the Fund only transacts with counterparties of investment grade quality (BBB- or above as rated by Standard & Poor's). BlackRock has a process in place to assess the creditworthiness of counterparties and assess that the risk is evenly distributed. Matters arising in relation to counterparties are reviewed regularly by the IRMC.

**(iii) Settlement of Securities Transactions**

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

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

**(iv) Other Credit Risk**

Exposure to credit risk on cash and cash equivalents margin accounts considered to be minimal due to the high credit rating of the relevant financial institutions. VaR analysis is also used to manage and measure the credit risk of the Fund.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely JP Morgan Chase Bank NA ("J.P. Morgan"). J.P. Morgan is a member of a major securities exchange, and at 30 June 2011 had a credit rating of A-1+ (2010:A-1+). At 30 June 2011, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by J.P. Morgan.

**(d) Liquidity and Cash Flow Risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining adequate liquidity to satisfy usual redemption volumes and restricting the investment activities of the Fund to securities that are actively traded and highly liquid. The Fund also maintains continuous monitoring of forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities.

The Responsible Entity staff consider and maintain the liquidity of the Fund, in the context of the investment objectives and liquidity requirements of the Fund. Operational procedures are in place to review margin requirements on futures contracts. IRMC reviews liquidity reports to ensure the Fund has sufficient liquidity to pay client redemptions and meet margin calls as required.

The table below analyses the Fund's financial liabilities and derivative asset balances (as appropriate) into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date as at balance date. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund - Consolidated</b>	<b>Less than 12 months</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>On Call</b>
<b>At 30 June 2011</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bank Overdraft	(11,136)	-	-	-	-
Margin Accounts	(1,568)	-	-	-	-
Distribution Payable	(285)	-	-	-	-
Accounts Payable and Accrued Expenses	1,014	-	-	-	-
Derivatives*					
Outflows	(337,339)	(1,794,288)	(56,264)	(710,391)	-
Inflows	341,202	1,792,784	61,132	711,272	-
Net Assets Attributable to Unitholders- Non-Controlling	-	-	-	-	(60,221)
Net Assets Attributable to Unitholders- Parent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370,977)</u>
<b>Total</b>	<b><u>(8,112)</u></b>	<b><u>(1,504)</u></b>	<b><u>4,868</u></b>	<b><u>881</u></b>	<b><u>(431,198)</u></b>

  

<b>BlackRock Asset Allocation Alpha Fund - Parent</b>	<b>Less than 12 months</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>On Call</b>
<b>At 30 June 2011</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bank Overdraft	(11,134)	-	-	-	-
Margin Accounts	(1,568)	-	-	-	-
Distribution Payable	(41)	-	-	-	-
Accounts Payable and Accrued Expenses	(931)	-	-	-	-
Derivatives*					
Outflows	(337,339)	(1,794,288)	(56,264)	(710,391)	-
Inflows	341,202	1,792,784	61,132	711,272	-
Net Assets Attributable to Unitholders- Non-Controlling	-	-	-	-	-
Net Assets Attributable to Unitholders- Parent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370,977)</u>
<b>Total</b>	<b><u>(9,811)</u></b>	<b><u>(1,504)</u></b>	<b><u>4,868</u></b>	<b><u>881</u></b>	<b><u>(370,977)</u></b>

\*The analysis above includes gross cash flows from forward foreign exchange contracts, credit default and interest rate swaps (irrespective of whether they are gross or net settled) in both an asset or liability position at the Balance Sheet date. As cash inflows are generally realised simultaneously to cash outflows, this information has been included for clarity.

The Manager uses credit default swaps as part of the overall investment strategy and to manage the Fund within its limits. The gross notional value of these swaps at 30 June 2011 was \$254,380,000 resulting in an asset at fair value on the balance sheet of \$2,598,000 (30 June 2010: \$nil, fair value asset \$nil).

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund - Consolidated</b>	<b>Less than 12 months</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>On Call</b>
<b>At 30 June 2010</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bank Overdraft	(2,051)	-	-	-	-
Distribution Payable	(4,984)	-	-	-	-
Accounts Payable and Accrued Expenses	(1,225)	-	-	-	-
Derivatives*					
Outflows	(10,453)	(500,226)	(251,534)	(59,472)	-
Inflows	30,749	514,885	253,150	60,239	-
Net Assets Attributable to Unitholders- Non-Controlling	-	-	-	-	(100,167)
Net Assets Attributable to Unitholders- Parent	-	-	-	-	(433,821)
<b>Total</b>	<b><u>12,036</u></b>	<b><u>14,659</u></b>	<b><u>1,616</u></b>	<b><u>767</u></b>	<b><u>(533,988)</u></b>

  

<b>BlackRock Asset Allocation Alpha Fund - Parent</b>	<b>Less than 12 months</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>On Call</b>
<b>At 30 June 2010</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bank Overdraft	(2,051)	-	-	-	-
Distribution Payable	(4,548)	-	-	-	-
Accounts Payable and Accrued Expenses	(1,134)	-	-	-	-
Derivatives*					
Outflows	(10,453)	(500,226)	(251,534)	(59,472)	-
Inflow	30,749	514,885	253,150	60,239	-
Net Assets Attributable to Unitholders	-	-	-	-	(433,821)
<b>Total</b>	<b><u>12,563</u></b>	<b><u>14,659</u></b>	<b><u>1,616</u></b>	<b><u>767</u></b>	<b><u>(433,821)</u></b>

\*The analysis above includes gross cash flows from forward foreign exchange contracts, credit default and interest rate swaps (irrespective of whether they are gross or net settled) in both an asset or liability position at the Balance Sheet date. As cash inflows are generally realised simultaneously to cash outflows, this information has been included for clarity.

**(e) Fair Values of Financial Assets and Liabilities**

The carrying amounts of the Funds's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through the profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statements of Comprehensive Income.

• *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of each reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in Note 2. For the majority of investments the Funds rely on information provided by independent pricing services for the valuation of investments.

The quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply this bid or asking price to the net open positions, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual regularly occurring market transactions on an arm's length basis.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

• *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used estimate cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount the Funds would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

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

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

**(f) Fair Value Hierarchy**

Funds classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

**BlackRock Asset Allocation Alpha Fund**  
**Notes to the Financial Statements**  
For the year ended 30 June 2011

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>- Consolidated</b>				
<b>30 June 2011</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Financial Instruments Held at Fair Value through Profit or Loss				
Fixed Interest Securities	70,347	67,984	36,125	174,456
Units in Related Schemes	-	-	-	-
Discount Securities	201,603	-	-	201,603
Financial Instruments Held for Trading				
Futures	612	-	-	612
Options	113	6,067	-	6,180
Swaps	-	4,171	-	4,171
Forward Foreign Exchange Contracts	-	<u>1,316</u>	-	<u>1,316</u>
<b>Total</b>	<u>272,675</u>	<u>79,538</u>	<u>36,125</u>	<u>388,338</u>
<b>Financial Liabilities</b>				
Financial Instruments Held for Trading				
Futures	753	-	-	753
Swaps	-	1,386	-	1,386
Forward Foreign Exchange Contracts	-	<u>962</u>	-	<u>962</u>
<b>Total</b>	<u>753</u>	<u>2,348</u>	-	<u>3,101</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>271,922</u>	<u>77,190</u>	<u>36,125</u>	<u>385,237</u>
<b>BlackRock Asset Allocation Alpha Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>- Parent</b>				
<b>30 June 2011</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Financial Instruments Held at Fair Value through Profit or Loss				
Units in Related Schemes	-	350,962	-	350,962
Discount Securities Trading	-	-	-	-
Financial Instruments Held for Trading				
Futures	612	-	-	612
Options	113	6,067	-	6,180
Swaps	-	4,171	-	4,171
Forward Foreign Exchange Contracts	-	<u>1,316</u>	-	<u>1,316</u>
<b>Total</b>	<u>725</u>	<u>362,516</u>	-	<u>363,241</u>
<b>Financial Liabilities</b>				
Financial Instruments Held for Trading				
Futures	753	-	-	753
Swaps	-	1,386	-	1,386
Forward Foreign Exchange Contracts	-	<u>962</u>	-	<u>962</u>
<b>Total</b>	<u>753</u>	<u>2,348</u>	-	<u>3,101</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>(28)</u>	<u>360,168</u>	-	<u>360,140</u>

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

<b>BlackRock Asset Allocation Alpha Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>- Consolidated</b>				
<b>30 June 2010</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Financial Instruments Held at Fair Value through Profit or Loss				
Fixed Interest Securities	74,803	91,050	51,650	217,503
Units in Related Schemes	-	-	-	-
Discount Securities	261,100	-	-	261,100
Financial Instruments Held for Trading				
Options	-	3,074	-	3,074
Swaps	-	6,387	362	6,749
Forward Foreign Exchange Contracts	-	6,015	-	6,015
<b>Total</b>	<u>335,903</u>	<u>106,526</u>	<u>52,012</u>	<u>494,441</u>
<b>Financial Liabilities</b>				
Financial Instruments Held for Trading				
Swaps	-	652	127	779
Forward Foreign Exchange Contracts	-	7,254	-	7,254
<b>Total</b>	<u>-</u>	<u>7,906</u>	<u>127</u>	<u>8,033</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>335,903</u>	<u>98,620</u>	<u>51,885</u>	<u>486,408</u>
<b>BlackRock Asset Allocation Alpha Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>- Parent</b>				
<b>30 June 2010</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Financial Instruments Held at Fair Value through Profit or Loss				
Units in Related Schemes	-	382,928	-	382,928
Financial Instruments Held for Trading				
Options	-	3,074	-	3,074
Swaps	-	6,387	362	6,749
Forward Foreign Exchange Contracts	-	6,015	-	6,015
<b>Total</b>	<u>-</u>	<u>398,404</u>	<u>362</u>	<u>398,766</u>
<b>Financial Liabilities</b>				
Financial Instruments Held for Trading				
Swaps	-	652	127	779
Forward Foreign Exchange Contracts	-	7,254	-	7,254
<b>Total</b>	<u>-</u>	<u>7,906</u>	<u>127</u>	<u>8,033</u>
<b>Net Assets Attributable to Unitholders - Liability</b>	<u>-</u>	<u>390,498</u>	<u>235</u>	<u>390,733</u>

No transfers between levels occurred during the year for the parent entity.

**NOTE 3: FINANCIAL RISK MANAGEMENT (continued)**

The following table presents the movement in Level 3 instruments by class of financial instrument.

<b>BlackRock Asset Allocation Alpha Fund</b>	<b>Interest Bearing</b>	<b>Derivative</b>
<b>- Consolidated</b>	<b>Investments</b>	
<b>30 June 2011</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance	51,650	235
Purchases	14,797	-
Sales	(15,691)	12,078
Transfers into Level 3	-	-
Transfers out of Level 3	(2,319)	-
Gains and losses recognised in profit or loss	<u>(12,312)</u>	<u>11,843</u>
<b>Closing Balance</b>	<u>36,125</u>	<u>-</u>

  

<b>BlackRock Asset Allocation Alpha Fund</b>		<b>Derivative</b>
<b>- Parent</b>		
<b>30 June 2011</b>		<b>\$'000</b>
Opening Balance		235
Purchases		-
Sales		12,078
Gains and losses recognised in profit or loss		<u>11,843</u>
<b>Closing Balance</b>		<u>-</u>

  

<b>BlackRock Asset Allocation Alpha Fund</b>	<b>Interest Bearing</b>	<b>Derivative</b>
<b>- Consolidated</b>	<b>Investments</b>	
<b>30 June 2010</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance	32,017	102,909
Purchases	34,290	-
Sales	(790)	-
Gains and losses recognised in profit or loss	<u>(13,867)</u>	<u>(102,674)</u>
<b>Closing Balance</b>	<u>51,650</u>	<u>235</u>

  

<b>BlackRock Asset Allocation Alpha Fund</b>		<b>Derivative</b>
<b>- Parent</b>		
<b>30 June 2010</b>		<b>\$'000</b>
Opening Balance		-
Purchases		102,909
Sales		-
Gains and losses recognised in profit or loss		<u>(102,674)</u>
<b>Closing Balance</b>		<u>235</u>

The majority of assets classified as Level 3 assets are debt instruments priced using an external pricing source but that are infrequently traded and hence there is a degree of subjectivity associated with the accuracy of the price. Given the number of such investments it is not practical to provide reasonable alternative prices to each investment.

**NOTE 4: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend the right to the underlying assets of the Fund. Units are issued and redeemed at the holders' option at prices based on the value of the Fund's net assets at the time of issue/redemption less transaction costs.

**Capital risk management**

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

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. As of 30 June 2011 the capital of the Fund is represented in the net assets attributable to unitholders tables.

In the event of a significant redemption, the Fund's Constitution allows the delay of payment beyond the usual redemption timeframe but no later than the maximum number of days specified in the Constitution for satisfying redemption requests. Further, in certain circumstances such as disrupted markets, the Constitution allows payment to be delayed beyond the maximum number of days.

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

<b>BlackRock Asset Allocation Alpha Fund</b>				
<b>C Class Units</b>				
<b>Unitholders' Funds</b>	<b>2011</b>		<b>2010</b>	
	<b>No. '000</b>	<b>\$ '000</b>	<b>No. '000</b>	<b>\$ '000</b>
Opening Unitholders' Funds	2,769	2,631	2,064	1,973
Application				
- Cash	206	183	959	904
- Distribution Reinvestment Plan	5	5	18	17
Redemptions	(722)	(629)	(272)	(254)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(289)	-	(9)
Closing Balance	<u>2,258</u>	<u>1,901</u>	<u>2,769</u>	<u>2,631</u>

<b>BlackRock Asset Allocation Alpha Fund</b>				
<b>D Class Units</b>				
<b>Unitholders' Funds</b>	<b>2011</b>		<b>2010</b>	
	<b>No. '000</b>	<b>\$ '000</b>	<b>No. '000</b>	<b>\$ '000</b>
Opening Unitholders' Funds	319,715	366,975	196,212	227,949
Application				
- Cash	115,120	121,297	172,668	195,362
- Distribution Reinvestment Plan	939	1,042	1,793	1,980
Redemptions	(133,461)	(138,950)	(50,958)	(57,294)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(38,705)	-	(1,022)
Closing Balance	<u>302,313</u>	<u>311,659</u>	<u>319,715</u>	<u>366,975</u>

**NOTE 4: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)**

Unitholders' Funds	X Class Units			
	2011		2010	
	No. '000	\$ '000	No. '000	\$ '000
Opening Unitholders' Funds	62,562	64,215	57,730	58,727
Application				
- Cash	-	-	26,468	33,059
- Distribution Reinvestment Plan	1,108	1,353	1,651	2,005
Redemptions	-	-	(23,287)	(29,377)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(8,151)	-	(199)
Closing Balance	<u>63,670</u>	<u>57,417</u>	<u>62,562</u>	<u>64,215</u>
Total Closing Balance	<u>368,241</u>	<u>370,977</u>	<u>385,046</u>	<u>433,821</u>

**NOTE 5: NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

Cash and Cash Equivalents at the end of the financial year is reconciled to the Balance Sheets as follows:

	BlackRock Asset Allocation Alpha Fund			
	Consolidated		Parent	
	2011	2010	2011	2010
	\$ '000	\$ '000	\$ '000	\$ '000
Cash	44,592	36,600	7,883	30,157
Margin Accounts < 90 days	14,890	18,984	14,870	18,956
Overdraft	(11,136)	(2,051)	(11,134)	(2,051)
<b>Total</b>	<u>48,346</u>	<u>53,533</u>	<u>11,619</u>	<u>47,062</u>

**NOTE 5: NOTES TO THE STATEMENT OF CASH FLOWS (Continued)**

**(b) Reconciliation of Net Operating Profit/(Loss) to Net Cash from Operating Activities for the year ended 30 June**

<b>BlackRock Asset Allocation Alpha Fund</b>				
	<b>Consolidated</b>		<b>Parent</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Net Operating Profit/(Loss)	(43,219)	7,800	(47,104)	3,318
(Increase)/Decrease in Financial Instruments held at Fair Value through Profit or Loss	102,544	(96,258)	31,966	(102,016)
(Increase)/Decrease in Margin Accounts	1,568	-	1,568	-
(Increase)/Decrease in Financial Assets held at Trading through Profit or Loss	(2,363)	(4,072)	(2,363)	(4,072)
(Increase)/Decrease in Income Receivable	(102)	(87)	46	(43)
(Increase)/Decrease in Receivables from Related Schemes	(66)	49	8	(856)
(Increase)/Decrease in Other Receivables	(58)	(713)	(104)	(26)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	<u>390</u>	<u>1,044</u>	<u>401</u>	<u>342</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>58,694</u></b>	<b><u>(92,237)</u></b>	<b><u>(15,582)</u></b>	<b><u>(103,353)</u></b>

**(c) Non-cash Financing Activities**

During the financial year, the following units were created as a result of distributions reinvested in the Fund under the distribution reinvestment plan.

	<b>2011</b>		<b>2010</b>	
	<b>Units</b>	<b>\$</b>	<b>Units</b>	<b>\$</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>BlackRock Asset Allocation Alpha Fund</b>				
C Class Units	5	5	18	17
D Class Units	939	1,042	1,793	1,980
X Class Units	1,108	1,353	1,650	2,005

As described in Note 2(l), 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.

**NOTE 6: DISTRIBUTIONS**

The following amounts of distributions were paid and payable for each class of units for the year ended 30 June:

	<b>2011</b>		<b>2011</b>	
	<b>Distributions Paid</b>		<b>Distributions Payable</b>	
	<b>Cents/Unit</b>	<b>\$ '000</b>	<b>Cents/Unit</b>	<b>\$ '000</b>
<b>BlackRock Asset Allocation Alpha Fund</b>				
C Class Units	-	-	-	-
D Class Units	-	-	-	-
X Class Units	-	-	0.06	41

  

	<b>2010</b>		<b>2010</b>	
	<b>Distributions Paid</b>		<b>Distributions Payable</b>	
	<b>Cents/Unit</b>	<b>\$ '000</b>	<b>Cents/Unit</b>	<b>\$ '000</b>
<b>BlackRock Asset Allocation Alpha Fund</b>				
C Class Units	-	-	0.37	10
D Class Units	-	-	1.00	3,184
X Class Units	-	-	2.16	1,354

**NOTE 7: INVESTMENT IN SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2.

<b>Name of Entity</b>	<b>Country of Domicile</b>	<b>Fair Value</b>		<b>Equity Holding</b>	
		<b>30 June 2011</b>	<b>30 June 2010</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>Units</b>	<b>Units</b>
BlackRock Institutional Liquidity Fund	Australia	350,962	382,928	350,471	383,005

No new acquisitions or disposals of subsidiaries in the 30 June 2011 and 30 June 2010 financial year.

**NOTE 8: RELATED PARTIES**

**Responsible Entity**

The Responsible Entity of the Fund is BlackRock Investment Management (Australia) Limited (ABN 13 006 165 975) whose ultimate holding company is BlackRock, Inc.

BlackRock Investment Management (Australia) Limited is incorporated in Australia and BlackRock, Inc is incorporated in the United States of America.

**NOTE 8: RELATED PARTIES (Continued)**

**Key Management Personnel**

*Directors*

Key management personnel includes persons who were directors of BlackRock Asset Allocation Alpha Fund during the financial period and up to the date of this report.

<b>Director</b>	<b>Date appointed</b>	<b>Date resigned</b>
D Frawley	Appointed 18 March 2005	
G A Boyle	Appointed 7 March 2007	Resigned 12 May 2011
C Tzatzakis	Appointed 11 September 2007	
R Bhagat	Appointed 2 December 2009	Resigned 9 September 2011
M S McCorry	Appointed 2 December 2009	
H Capra	Appointed 23 May 2011	

**Other Key Management Personnel**

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, during the financial year:

<b>Name</b>	<b>Position</b>	<b>Employer</b>
R J Maddox	Managing Director and Co/Chief Investment Officer	BlackRock Investment Management (Australia) Limited
K Liow *	Head of Quantitative Investors/Co-Chief Investment Officer	BlackRock Investment Management (Australia) Limited

\*Resigned on 31 March 2011.

**Key Management Personnel Unitholding**

The Maddox Super Funds of which R J Maddox is Trustee invests into the consolidated entity. The details of the units held by R J Maddox via The Maddox Super Funds are summarised on the following pages under Investing Activities – Key Management Personnel and Key Management Personnel Related Entities.

During or since the end of the period, none of the other key management personnel including directors or their personally related entities held units in the Funds, either directly, indirectly, or beneficially.

**Key Management Personnel Compensation**

No amounts were paid by the Fund to key management personnel.

Key management personnel are paid by BlackRock Investment Management (Australia) Limited. Payments made from the Fund to BlackRock Investment Management (Australia) Limited do not include any amounts attributable to the compensation of key management personnel.

**Key Management Personnel Loan Disclosures**

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

**Other Transactions within the Funds**

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests subsisting at year end.

**Related Party Transactions and Balances**

All related party transactions are conducted on normal commercial terms and conditions. Transactions with related parties include the following:

**NOTE 8: RELATED PARTIES (Continued)**

**(a) Responsible Entity's Fees and other Transactions**

Responsible Entity fees are accrued daily at the rate specified by the Constitutions and Amendments based on the net asset value of the Fund. Fees charged for the year are included in the Statements of Comprehensive Income.

From time to time the Responsible Entity may waive fees in accordance with the terms of the Constitutions and Amendments. Where Responsible Entity fees charged are less than the maximum permitted under the Constitutions and Amendments, any amount forgone cannot be claimed in future years.

**(b) Expense Reimbursement**

Operating expenses include administration expenses incurred by the Responsible Entity and reimbursed by the Fund in accordance with the provisions of the Constitutions and Amendments. Total operating expenses incurred for the year are brought to account on an accruals basis and are included in the Statements of Comprehensive Income.

**(c) Fee Rebates from Related Schemes**

The Fund receives a rebate of all fees charged on monies invested in other related schemes with the same Responsible Entity. These rebates, which reflect an increase in the return from those related schemes, are included as revenue in the Statements of Comprehensive Income.

Transactions and balances with related parties are summarised in the schedules on the following pages for the year ended 30 June.

	<b>BlackRock Asset Allocation Alpha Fund</b>			
	<b>Consolidated</b>		<b>Parent</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	\$	\$	\$	\$
<b>Responsible Entity's Fees and other transactions</b>				
Total Responsible Entity's fees paid or due and payable by the Funds:				
Class Management Entity Fees:				
C Class Units	-	-	(6,602)	(33,919)
D Class Units	-	-	(3,416,491)	(3,082,858)
Funds Responsible Entity Fees	(4,414,431)	(4,054,773)	-	-
Class Performance Fees:				
C Class Units	-	-	-	-
D Class Units	-	-	-	-
Funds Performance Fees	-	-	-	-
Class Responsible Entity Fees and Expense Reimbursement Payable:				
C Class Units	-	-	(2,359)	(3,504)
D Class Units	-	-	(280,983)	(340,505)
Funds Responsible Entity Fees and Expenses Reimbursement Payable	(367,471)	(441,385)	-	-
<b>Total Responsible Entity's Fees received or due and receivable by the Funds:</b>				
Responsible Entity Fee Rebates	827,385	710,719	827,385	710,719
Other	-	(41,642)	-	(43,869)
<b>Balances and Transactions with Related Schemes</b>				
Distributions Receivable*	-	-	1,556,535	1,560,073
Responsible Entity Fee Rebates Receivable	<u>65,996</u>	<u>70,710</u>	<u>65,996</u>	<u>70,710</u>
	<u><u>65,996</u></u>	<u><u>70,710</u></u>	<u><u>1,622,531</u></u>	<u><u>1,630,783</u></u>

\* The amounts of distributions received and total amounts invested in Related Schemes are disclosed under the heading "Investments".

**NOTE 8: RELATED PARTIES (Continued)**

**Investments**

The Fund held investments in the following schemes which were also managed by the Responsible Entity or its related parties

2011

	No. of Units Held at Year End	Fair Value of Units Held at Year End	Value of Units Purchased During the Year	Values of Units Sold During the Year	Interest Held in Related Funds at Year End	Distribution Received from the Related Scheme During the Year	Distribution Receivable from the Related Scheme at Year End
	Units	\$	\$	\$	%	\$	\$
<b>BlackRock Asset Allocation Alpha Fund Consolidated</b>							
Blackrock Institutional Liquidity Fund	-	-	-	-	-	-	-
<b>BlackRock Asset Allocation Alpha Fund Parent</b>							
Blackrock Institutional Liquidity Fund	350,471,075	350,961,734	269,141,106	(301,739,891)	85.27	18,689,884	1,556,535

2010

	No. of Units Held at Year End	Fair Value of Units Held at Year End	Value of Units Purchased During the Year	Values of Units Sold During the Year	Interest Held in Related Funds at Year End	Distribution Received from the Related Scheme During the Year	Distribution Receivable from the Related Scheme at Year End
	Units	\$	\$	\$	%	\$	\$
<b>BlackRock Asset Allocation Alpha Fund Consolidated</b>							
BlackRock Institutional Liquidity Fund	-	-	-	-	-	-	-
<b>BlackRock Asset Allocation Alpha Fund Parent</b>							
Blackrock Institutional Liquidity Fund	383,005,138	382,928,537	300,098,732	199,159,910	79.20	12,308,400	1,560,073

**Investments - Key Management Personnel and Key Management Personnel Related Entities**

2011

	Number of Units Held Opening	Number of Units Held at Year End	Fair Value of Units Held at Year End	Value of Units Purchased During the Year	Value of Units Sold During the Year	Interest Held by Related Parties at Year End	Distribution Paid to the Related Parties During the Year	Distribution Payable to the Related Parties at Year End
	Units	Units	\$	\$	\$	%	\$	\$
<b>BlackRock Asset Allocation Alpha Fund Consolidated</b>								
Russell J & Rosemary M Maddox ATF The Maddox Super Funds	535,338	540,143	534,574	5,332	-	0.15	-	-
Jodi Frawley	42,414	42,795	42,354	422	-	0.01	-	-
<b>Parent</b>								
Russell J & Rosemary M Maddox ATF The Maddox Super Funds	535,338	540,143	534,574	5,332	-	0.15	-	-
Jodi Frawley	42,414	42,795	42,354	422	-	0.01	-	-

**BlackRock Asset Allocation Alpha Fund**  
**Notes to the Financial Statements**  
For the year ended 30 June 2011

**NOTE 8: RELATED PARTIES (Continued)**

2010

	Number of Units Held Opening	Number of Units Held at Year End	Fair Value of Units Held at Year End	Value of Units Purchased During the Year	Value of Units Sold During the Year	Interest Held by Related Parties at Year End	Distribution Paid to the Related Parties During the Year	Distribution Payable to the Related Parties at Year End
<b>BlackRock Asset Allocation Alpha Fund</b>	Units	Units	\$	\$	\$	%	\$	\$
<b>Consolidated</b>								
Russell J & Rosemary M Maddox ATF The Maddox Super Funds	308,497	535,338	598,775	256,918	-	0.17	6,918	5,332
Jodi Frawley	41,570	42,414	47,440	932	-	0.01	932	422
<b>Parent</b>								
Russell J & Rosemary M Maddox ATF The Maddox Super Funds	308,497	535,338	598,775	256,918	-	0.17	6,918	5,332
Jodi Frawley	41,570	42,414	47,440	932.00	-	0.01	932	422

**BlackRock Asset Allocation Alpha Fund**  
**Notes to the Financial Statements**  
For the year ended 30 June 2011

**NOTE 8: RELATED PARTIES (Continued)**

**Related Party Schemes' Unitholdings**

Parties related to the BlackRock Asset Allocation Alpha Fund, held units in the consolidated entity as follows:

2011

	No. of Units Held Opening	No. of Units Held Closing	Interest Held	No. of Units Acquired	No. of Units Disposed	Distributions Paid by Fund
	Units	Units	%	Units	Units	\$
<b>BlackRock Asset Allocation Alpha Fund</b>						
<b>Consolidated</b>						
BlackRock Balanced Pooled Super Fund	5,981,652	6,087,555	1.80	105,903	-	3,894
BlackRock Wholesale Balanced Fund	56,579,801	57,581,524	17.07	1,001,723	-	36,828
BlackRock Australian Bond Fund	4,979,853	7,180,621	1.75	26,627,372	24,426,604	364,434
BlackRock Monthly Income Fund	58,862,142	25,579,106	6.22	259,981,087	293,264,123	1,987,782
BlackRock Australian Core Plus Bond Fund	14,024,112	5,966,561	1.45	72,838,654	80,896,205	465,297
BlackRock Australian Core Plus Cash Fund	21,836,514	21,627,033	5.26	86,107,746	86,317,227	965,300
<b>Parent</b>						
BlackRock Balanced Pooled Super Fund	5,981,653	6,087,556	1.80	105,903	-	3,894
BlackRock Wholesale Balanced Fund	56,579,801	57,581,524	17.07	1,001,723	-	36,828

2010

	No. of Units Held Opening	No. of Units Held Closing	Interest Held	No. of Units Acquired	No. of Units Disposed	Distributions Paid by Fund
	Units	Units	%	Units	Units	\$
<b>BlackRock Asset Allocation Alpha Fund</b>						
<b>Consolidated</b>						
BlackRock Balanced Pooled Super Fund	5,815,344	5,981,652	1.55	166,308	-	129,406
BlackRock Wholesale Balanced Fund	51,914,799	56,579,801	14.69	27,951,566	23,286,564	1,224,035
BlackRock Australian Bond Fund	9,466,451	4,979,853	1.03	73,055,092	77,541,690	548,797
BlackRock Monthly Income Fund	86,802,093	58,862,142	12.17	341,001,058	368,941,009	2,291,630
BlackRock Australian Core Plus Bond Fund	12,594,488	14,024,112	2.90	71,648,340	70,218,716	567,120
BlackRock Australian Core Plus Cash Fund	27,880,442	21,836,514	4.52	76,735,763	82,779,691	621,926
BlackRock Total Returns Fund	5,146,866	-	-	10,113,801	15,260,667	201,007
<b>Parent</b>						
BlackRock Balanced Pooled Super Fund	5,815,344	5,981,653	1.55	166,309	-	-
BlackRock Wholesale Balanced Fund	51,914,799	56,579,801	14.69	27,951,566	23,286,564	-

**NOTE 9: SEGMENT INFORMATION**

The Fund is organised into one main segment and operate solely in the business of investment management within Australia. Consequently, no segmental reporting is provided in the Fund's financial statements.

**NOTE 10: AUDITOR'S REMUNERATION**

The audit fees paid or payable are discharged by the Responsible Entity from the fees earned from the Fund.

**NOTE 11: CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 (30 June 2010: Nil).

**NOTE 12: EVENTS OCCURRING AFTER THE REPORTING DATE**

No significant events which have occurred since balance date which would impact on the financial position of the Fund disclosed in the Balance Sheets as at 30 June 2011 or on the results and cash flows of the Fund's for the year ended on that date.

## **Directors' Declaration**

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 44 are in accordance with the *Corporations Act 2001*, including:
  - (i) comply with Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's and the consolidated entity's financial positions as at 30 June 2011 and of their performance, as represented by the results of their operations, changes in equity and their cash flow for the Financial Year ended on that date, and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Fund and consolidated entity will be able to pay its debts as and when they become due and payable.

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

Director  
H Capra

Director  
D Frawley

Sydney

27 September 2011

## Independent Auditor's Report to the Unitholders of BlackRock Asset Allocation Alpha Fund

We have audited the accompanying financial report of BlackRock Asset Allocation Alpha Fund ("the Fund"), which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 6 to 45.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

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

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

### *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of BlackRock Asset Allocation Fund is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Fund's and consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants  
Melbourne, 27 September 2011