

Annual Financial Report

30 JUNE 2011

BlackRock Investment Management (Australia) Limited

ABN 13 006 165 975

Australian Financial Services Licence No 230523

Separately Managed Accounts

ARSN 114 818 530

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Directors' Report

The directors of BlackRock Investment Management (Australia) Limited, the Responsible Entity of the Separately Managed Accounts, present their report together with the financial statements of Separately Managed Accounts ("the Fund"), for the year ended 30 June 2011 and the auditor's report thereon.

Fund Objectives

The primary aim of the Fund is to provide investors with flexibility to build their personal portfolios using a range of investment strategies, referred to as Model Portfolios to suit the investors' needs and objectives. The Model Portfolios are managed by BlackRock Investment Management (Australia) Limited and other Fund Managers.

Principal Activities

The Fund invested in accordance with the provisions of the Fund's governing documents. 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 the BlackRock Investment Management (Australia) Limited during the year or since the end of the year and up to the date of this report:

Director	Date appointed	Date resigned
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 funds in accordance with investors' target asset allocations and Model Portfolios as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Results

The returns of investors in the Fund are based on the performance of investments in the investors' respective accounts. The Fund invests according to investment strategies and Model Portfolios selected by investors.

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 the BlackRock Investment Management (Australia) Limited or the auditor of the Fund. So long as the officers of the BlackRock Investment Management (Australia) Limited act in accordance with the Fund's 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. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Fees paid and Interests 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 3 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 3 of the financial statements.

Interests in the Fund

The movement in investors' funds during the year is 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 is 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 and 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 06/441 issued by the Australian Securities and 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 3, 4 and 6 to the financial statements.

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 4.

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

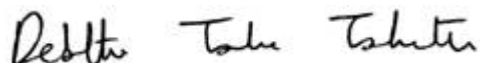
Independence Declaration – Separately Managed Accounts

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 Separately Managed Accounts.

As lead audit partner for the audit of the financial statements of Separately Managed Accounts 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

Separately Managed Accounts
Balance Sheet
As at 30 June 2011

Balance Sheet

	Separately Managed Accounts		
	Notes	2011 \$'000	2010 \$'000
Assets			
Cash and Cash Equivalents	5(a)	18,910	19,919
Income Receivable		4,451	2,908
Other Receivables		2,247	3,743
Financial Assets held at Fair Value through Profit or Loss			
Equity Securities		443,099	342,597
Units in Listed Trusts		15,292	14,074
Financial Assets held for Trading			
Swaps	9	<u>91,740</u>	<u>114,178</u>
Total Assets		<u>575,739</u>	<u>497,419</u>
Liabilities			
Accounts Payable and Accrued Expenses		<u>3,125</u>	<u>3,797</u>
Total Liabilities (excluding Net Assets Attributable to Investors)		<u>3,125</u>	<u>3,797</u>
Net Assets Attributable to Investors	4	<u>572,614</u>	<u>493,622</u>
Net Assets		<u><u>-</u></u>	<u><u>-</u></u>

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

Separately Managed Accounts
Statement of Comprehensive Income
For the year ended 30 June 2011

Statement of Comprehensive Income

		Separately Managed Accounts	
	Notes	2011 \$'000	2010 \$'000
Investment Income			
Net Gain/(Loss) on Financial Assets held at Fair Value through Profit or Loss		21,792	8,615
Net Gain/(Loss) on Financial Assets held for Trading		8,382	12,976
Dividend Income		16,654	10,070
Interest Income		832	615
Distributions		1,275	2,320
Other Operating Income		<u>16</u>	<u>218</u>
Total Investment Income/(Loss)		<u>48,951</u>	<u>34,814</u>
Expenses			
Responsible Entity's Fees	3	3,432	2,718
Other Operating Expenses		4,833	3,913
Transaction Costs		<u>98</u>	<u>148</u>
Total Operating Expenses		<u>8,363</u>	<u>6,779</u>
Net Operating Profit/(Loss)		<u>40,588</u>	<u>28,035</u>
Financing Costs Attributable to Investors			
<i>Increase/(Decrease) in Net assets Attributable to Investors</i>	4	<u>40,588</u>	<u>28,035</u>
Net Profit/(Loss) for the year		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total Comprehensive Income Attributable to Investors		<u>-</u>	<u>-</u>

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

Separately Managed Accounts
Statement of Cash Flows
For the year ended 30 June 2011

Statement of Cash Flows

		Separately Managed Accounts	
	Notes	2011 \$'000	2010 \$'000
Cash Flows from Operating Activities			
Proceeds from Sale of Financial Instruments held at Fair Value through Profit or Loss		154,557	105,369
Purchase of Financial Instruments held at Fair Value through Profit or Loss		(205,027)	(243,379)
Transaction Costs on Purchase of Financial Instruments held at Fair Value through Profit or Loss		(98)	(148)
Interest Received		832	615
Dividends Received		14,294	9,193
Distributions Received		2,092	1,743
Other Income Received		16	218
Responsible Entity Fees Paid		(3,381)	(2,631)
Operating Expenses Paid		<u>(4,789)</u>	<u>(3,720)</u>
Net Cash Inflow/(Outflow) from Operating Activities	5(b)	<u>(41,504)</u>	<u>(132,740)</u>
Cash Flows from Financing Activities			
Proceeds from Applications by Investors		144,323	198,979
Payments for Redemption by Investors		<u>(103,828)</u>	<u>(65,624)</u>
Net Cash Inflow/(Outflow) from Financing Activities		<u>40,495</u>	<u>133,355</u>
Net increase/(decrease) in cash and cash equivalents		(1,009)	615
Cash and Cash Equivalents at beginning of the financial year		<u>19,919</u>	<u>19,304</u>
Cash and Cash equivalents at the End of the Financial Year	5(a)	<u><u>18,910</u></u>	<u><u>19,919</u></u>
Non-cash Financing Activities	5(c)	(2,091)	6,400

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

Separately Managed Accounts
Statement of Changes in Equity
For the year ended 30 June 2011

Statement of Changes in Equity

	Separately Managed Accounts	
	2011 \$'000	2010 \$'000
Total Equity at the Beginning of the Financial Year	-	-
Profit/(Loss) for the year	-	-
Other Comprehensive Income for the year	-	-
Total Comprehensive Income for the year	<u>-</u>	<u>-</u>
Transactions with Owners in their Capacity as Owners	-	-
Total Equity at the end of the Financial Year	<u>-</u>	<u>-</u>

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

The above Statement 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 Separately Managed Accounts ("the Fund") as an individual entity. The Fund was constituted on 16 June 2005.

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 Sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to investors. 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 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 as held at fair value through the profit and 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 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 held 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 recognise changes in fair value of the financial assets or liabilities from this date.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has 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 Statement 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 price at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid price while financial liabilities are priced at current asking prices.

- Fair value in an inactive market 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 valuation techniques. If such differences exist, the Fund recognise the difference in the Statement 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) Cash and Cash Equivalents

Cash and cash equivalents include 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 change in value, and bank overdrafts. Bank overdrafts are shown in liabilities on the Balance Sheet.

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.

(d) Foreign Currency Translation

(i) *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 is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) *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 Statement 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment Income and Expenses

Interest income and expenses are recognised in the Statement 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 year. 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 does not consider future credit losses.

The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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 Statement 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.

(f) Expenses

All expenses, including BlackRock Investment Management (Australia) Limited's fees are recognised in the Statement of Comprehensive Income on an accruals basis.

(g) Income Tax

The Fund is not subject to income tax since all investments are beneficially held by investors directly in their separate Personal Portfolios. All income and gains on the securities and other assets in the Personal Portfolio accrue directly to investors.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain or loss be realised, the capital gains or loss accrues to the investors and is subject to capital gains tax. The Fund is not subject to capital gains tax.

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

The Fund may incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of Comprehensive Income.

(h) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund including administration fees, investment fees, performance fees of Model Portfolios of BlackRock Investment Management (Australia) Limited and brokerage have been passed on to the Responsible Entity. All other GST incurred on costs has been passed on to the investors of the Fund. Responsible Entity fees and other expenses have been recognised in the Statement of Comprehensive Income gross of the amounts of GST recoverable from the Australian Tax Office ("ATO"). Accounts Payable and Accrued Expenses are stated inclusive of GST. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

(i) Increase/Decrease in Net Assets Attributable to Investors

The Fund does not distribute, therefore net operating profit/loss is included in full in net assets attributable to investors. Movements in net assets attributable to investors are recognised in the Statement of Comprehensive Income as financing costs.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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 Fund 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 Statement 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 Statement of Comprehensive Income.

(k) Payables

Payables include amounts due to brokers, liabilities and accrued expenses owing by the Fund which are 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.

(l) Net Assets Attributable to Investors

In accordance with AASB 132 investors funds are classified as a financial liability and disclosed as such in the Balance Sheet, being referred to as "Net assets attributable to investors". Changes in the value of this financial liability are recognised in the Statement of Comprehensive Income as they arise.

The fair value of investments net of fees and charges are attributable to investors.

(m) Applications and Redemptions

Application and redemption terms (including fees payable, minimum amounts, minimum balance requirements and timing) vary and detailed terms are set out in the relevant product disclosure statements. Applications received from investors into the Fund are recorded gross of any entry fees payable. Entry fees, if applicable, are deducted from an investor's account and expensed through the Statement of Comprehensive Income. Redemptions from the Fund can be made in cash to the investor's nominated bank account or via a transfer of securities, or a combination of cash and securities. Securities sold are net of all fees, charges and expenses including transaction costs.

(n) Transfers of Securities

Investors may transfer eligible securities into and out from their personal portfolio accounts in the Fund. Securities are transferred-in at quoted "ask" prices and transferred-out at quoted "bid" prices on the market day immediately prior to date of transfer.

(o) New Accounting Standards

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 AASB7 *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.

- (iv) Amendments to AASB 2010-4 *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 Fund 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 of 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 Fund does not intend to adopt the new standard before the operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(p) 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 & Investments Commission, relating to the "rounding off" of amounts in the director's report and financial statements. Amounts in the financial report have been rounded off in accordance with that Class Order, unless otherwise indicated.

(q) 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.

NOTE 3: 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.

Parent entity

As at 30 June 2011 and 30 June 2010, no party was considered to be the ultimate and controlling party of the Fund.

Key Management Personnel

Directors

Key management personnel includes persons who were directors of the Responsible Entity during the financial year and up to the date of this report:

Director	Date appointed	Date resigned
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:

Name	Position	Employer
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
R Dixon	Co-Head of Customised Portfolio Service	BlackRock Investment Management (Australia) Limited
J Langlands	Co-Head of Customised Portfolio Service	BlackRock Investment Management (Australia) Limited

* Resigned on 31 March 2011

Key Management Personnel Holding

Mr and Mrs MJ O'Shannassy are the trustees of The Tiger Fund (Self Managed Superannuation Fund) which invests in the Fund. The details of the investment held by The Tiger Fund up to the date of resignation of Mr MJ O'Shannassy on 7 October 2009 are summarised on the following pages under Investing Activities - Key Personnel and Key Management Personnel Related Entities.

During or since the end of the financial year, none of the key management personnel including directors or their personally related entities held investment in the Fund, either directly, indirectly or beneficially.

NOTE 3: RELATED PARTIES (continued)

Key Management Personnel Compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity 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 Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous 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:

(a) Responsible Entity's Fees and other Transactions

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

From time to time the Responsible Entity may waive fees in accordance with the terms of the Constitution and Amendments. Where Responsible Entity fees charged are less than the maximum permitted under the Constitution 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 Constitution and Amendments. Total operating expenses incurred for the year are brought to account on an accruals basis and are included in the Statement of Comprehensive Income.

NOTE 3: RELATED PARTIES (continued)

Transactions and balances with related parties are summarised in the schedules below and on the following pages:

Responsible Entity's Fees and other Transactions

Administration fees

Under the terms of the Separately Managed Accounts Constitution, the Responsible Entity is entitled to receive an Administration Fee calculated by reference to the total account balance of the Investor as follows:

30 June 2011	Administration Fee* % per annum
0 - \$500,000	0.60
\$500,001 - \$1,000,000	0.44
\$1,000,001 - \$2,000,000	0.33
More than \$2,000,000	Nil
30 June 2010	Administration Fee* % per annum
0 - \$500,000	0.60
\$500,001 - \$1,000,000	0.44
\$1,000,001 - \$5,000,000	0.33
\$5,000,000 - \$10,000,000	0.23
More than \$10,000,000	0.05

*Effective 31 March 2011, the administration fee structure was changed. Administration fee is tiered, calculated monthly in arrears and deducted directly from the investors' account.

NOTE 3: RELATED PARTIES (continued)

Investment and Performance fees

In addition to the administration fees charged by the Responsible Entity, investment fees and performance fees may be charged by Model Portfolio Advisers depending on the Model Portfolios selected by the investors. The investment fee is calculated monthly in arrears based on the value of investor's account and deducted directly from the investor's account. Performance fees represent a premium paid to the Model Portfolio Advisers for exceeding the model portfolio's performance benchmark. Performance fees, if applicable are calculated monthly in arrears and deducted from the investor's account.

Where BlackRock is the model portfolio adviser, investment and performance fees charged for model portfolios are provided as follows:

Model Portfolio Name	2011		2010	
	Investment fee % per annum	Performance fee % per performance	Investment Fee % per annum	Performance Fee % per performance
BlackRock High Conviction Consolidated	0.40	15	0.40	15
BlackRock Index - Top 20	-	-	-	-
BlackRock Australian Share	-	25	-	25
BlackRock Australian Share Fund Plus	0.40	15	0.40	15
BlackRock Equity Yield Focus	0.60	-	0.60	-
BlackRock Property Securities Index	-	-	-	-
BlackRock Financials	0.40	-	0.40	-
BlackRock Value	0.40	-	0.40	-
BlackRock Resources	0.40	-	0.40	-
BlackRock 200 Growth	0.40	-	0.40	-
BlackRock Concentrated Australian Share 1	0.40	15	-	-
BlackRock Concentrated Australian Share 2	0.60	-	-	-
BlackRock Cash Model	-	-	-	-
SPDR S&P/ASX200	-	-	-	-
SPDR S&P/ASX200 Listed Property	-	-	-	-
Discovery Financials	0.40	-	0.40	-
Discovery Value	0.40	-	0.40	-
Discovery Resources	0.40	-	0.40	-
Discovery Growth	0.40	-	0.40	-
The Shield	0.15	-	0.15	-
Premium China Fund (75% OPEC Open Ended Continuously Protected Model Portfolio)	0.15	-	0.15	-
Premium China Fund (2x Dynamically Leveraged Model Portfolio)	0.15	-	0.15	-
iShares S&P Global 100	-	-	-	-
iShares S&P 500	-	-	-	-
iShares S&P Europe 350	-	-	-	-
iShares MCSI EAFE	-	-	-	-
iShares MCSI Emerging Markets	-	-	-	-
iShares FTSE China 25	-	-	-	-
iShares MCSI Hong Kong	-	-	-	-
iShares MCSI Japan	-	-	-	-
iShares MCSI Singapore	-	-	-	-
iShares MCSI South Korea	-	-	-	-
iShares MCSI Taiwan	-	-	-	-
iShares Russell 2000	-	-	-	-
iShares S&P MidCap 400	-	-	-	-
iShares S&P SmallCap 600	-	-	-	-
iShares MSCI Australia 200	-	-	-	-
iShares S&P/ASX High Dividend	-	-	-	-
iShares S&P/ASX Small Ordinaries	-	-	-	-
ETFS Physical Gold (GOLD)	-	-	-	-

NOTE 3: RELATED PARTIES (continued)

Transactions and balances with related parties are summarised as follows:

	2011	2010
	\$	\$
Total Responsible Entity's fees paid or due and payable by the Fund:		
Administration Fees	(3,167,239)	(2,550,636)
Investment Fees	(262,777)	(129,475)
Performance Fees	<u>(1,825)</u>	<u>(37,993)</u>
	<u>(3,431,841)</u>	<u>(2,718,104)</u>
Responsible Entity Fees payable [^] :		
Administration Fees	(268,078)	(234,752)
Investment Fees	(28,380)	(10,942)
Performance Fees	<u>(40)</u>	<u>(273)</u>
	<u>(296,498)</u>	<u>(245,967)</u>

[^] Included in accounts payable and accrued expenses in the Balance Sheet

Investing Activities

The Fund did not purchase or sell units in other approved schemes managed by the Responsible Entity or its associates in the ordinary course of business.

Account Holdings

The Responsible Entity held the following interests in the Fund:

	2011		2010	
BlackRock Investment Management (Australia) Limited	116,197	0.02%	107,696	0.02%

Investing Activities - Key Management Personnel and Key Management Related Entities

	Fair value of Investments Held at Opening	Fair value of Applications Held at Year End	Interest Held in Scheme in Year End	Applications	Redemptions	Income
Investor	\$	\$	%	\$	\$	\$
2011						
The Tiger Fund	-	-	-	-	-	-
Mrs R O'Shannassy	-	-	-	-	-	-
2010						
The Tiger Fund [^]	260,560	-	-	13,207	-	-
Mrs R O'Shannassy [^]	38	-	-	-	-	-

[^]As Mr R O'Shannassy resigned as a director of the Responsible Entity on 7 October 2009, the information above for the 2010 financial year is for the period 1 July 2009 to 7 October 2009.

NOTE 4: NET ASSETS ATTRIBUTABLE TO INVESTORS

As stipulated within the Fund's Constitution, investors are beneficial owners of investments in their personal portfolios in the Fund and have the right to sell the investments at prevailing market prices less transaction costs.

Movements in net assets attributable to investors during the financial year ended 30 June 2011 were as follows:

	2011	2010
	\$'000	\$'000
Opening Net Asset attributable to Investors	493,622	325,832
Applications		
- Cash	144,323	198,979
- Securities Transfer-In	8,233	13,763
Redemptions		
- Cash	(103,828)	(65,624)
- Securities Transfer-Out	(10,324)	(7,363)
Increase/(Decrease) in Net Assets Attributable to Investors	<u>40,588</u>	<u>28,035</u>
Closing Balance	<u><u>572,614</u></u>	<u><u>493,622</u></u>

NOTE 5: NOTES TO THE CASH FLOW STATEMENT

	2011	2010
	\$'000	\$'000
(a) Reconciliation of Cash		
Cash and cash equivalents at the end of the financial year is reconciled to the Balance Sheet as follows:		
Cash	18,910	19,919
(b) Reconciliation of Net Operating Profit/(Loss) to Net Cash from Operating Activities		
Net Operating Profit/(Loss)	40,588	28,035
Securities Transfer-In/(Transfer-Out)	(2,091)	6,400
Changes in Assets and Liabilities During the Year:		
(Increase)/Decrease in Financial Instruments held at Fair Value through Profit or Loss	(101,720)	(156,104)
(Increase)/Decrease in Financial Instruments for Trading	22,438	(8,203)
(Increase)/Decrease in Income Receivable	(1,543)	(1,418)
(Increase)/Decrease in Other Receivables	1,496	(542)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	<u>(672)</u>	<u>(908)</u>
Net Cash Inflow/(Outflow) from Operating Activities	<u><u>(41,504)</u></u>	<u><u>(132,740)</u></u>
(c) Non-cash Financing Activities		
Securities Transfer-In/(Transfer-Out)	(2,091)	6,400

NOTE 6: DISTRIBUTIONS

Income from investments held in the personal portfolios of investors is paid or accrued to the investors' accounts. The Fund does not make distributions to investors.

NOTE 7: FINANCIAL RISK MANAGEMENT

Separately Managed Accounts (also known as the “Customised Portfolio Service”) is a registered managed investment scheme in which each investor has a separate account to which their investments are allocated. BlackRock Investment Management (Australia) Limited's responsibilities and obligations as the Responsible Entity are governed by the Constitution for the Customised Portfolio Service, as well as the Corporations Act and general trust law.

(a) Strategy in using financial instruments

The primary aim of the Fund is to provide investors with flexibility to build their own personal portfolio using a range of investment strategies, referred to as “Model Portfolios” to suit the investor’s needs and objectives.

The Model Portfolios are managed by BlackRock Investment Management Australia Limited (BlackRock) and other 3rd parties (Model Managers). Where Models are managed by 3rd parties the risk is also managed externally to BlackRock. Model Managers report to BlackRock on a quarterly basis. As at 30 June 2011 there were 96 models in the Fund (30 June 2010: 81).

Once an investor has decided which Model Portfolio best suits his investment needs and objectives, BlackRock will purchase securities to be included in the investor’s Personal Portfolio so that it reflects the Model Portfolio or combination of Model Portfolios. Securities can be transferred directly into a Personal Portfolio and it can include securities not in the Model portfolio. The investor is the beneficial owner of the securities in their Personal Portfolio.

The Model Portfolio Managers will manage the Model Portfolios on an ongoing basis, and BlackRock will buy and sell securities to be included in, or removed from, the investors’ Personal Portfolios as the Model Portfolios change.

The Fund’s activities expose it to a variety of financial risks: including market risk (comprising currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Fund uses different methods to measure different types of risks to which it is exposed. These methods include Sensitivity Analysis as disclosed in Note 7(c) Summarised Sensitivity Analysis.

(b) 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 Sheet 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 7(b)(ii) below sets out how this component of price and risk is managed and measured. Investments are classified in the Balance Sheet as at fair value through profit or loss. All securities investments present a risk of loss of capital.

The Investment Managers and other Model Managers mitigate price risk through ensuring all activities are transacted in accordance with Model Portfolios, investor mandates and investment strategies within approved limits.

The capital structure of the Fund consists of cash and cash equivalents and the proceeds from the issue of the separately managed accounts of the Fund. The investment manager aims to ensure that there is sufficient liquidity for possible redemptions by investors.

Note 7(c) Summarised Sensitivity Analysis explains how the risk is measured and summarises the potential exposure of the Fund’s net assets attributable to investors.

(ii) Foreign Exchange Risk

The Fund’s investments are all denominated in Australian dollars and as such the Fund has no exposure to foreign exchange risk.

The Fund does not have any direct exposure to foreign exchange risk based on the Fund’s direct investments. This disclosure has not been made on a look through basis for investments held indirectly. The disclosure of foreign exchange risk may not present the true foreign exchange risk profile of the Fund where an underlying investment has significant exposure to foreign exchange risk.

(iii) Interest Rate Risk

The Fund’s interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position 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.

This risk is mitigated through ensuring activities are transacted in accordance with Model Portfolios, investor’s mandates and investment

NOTE 7: FINANCIAL RISK MANAGEMENT (continued)

strategies within approved limits.

The exposure to interest rate risk for the Fund is limited to cash deposits with rates based on normal commercial terms, which totaled \$18,910,085 at 30 June 2011 (2010: \$19,919,000).

An analysis of financial liabilities by maturities is provided in Section 7(e) below.

(c) Summarised Sensitivity Analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to investors to interest rate risk and other price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with relevant benchmark and market volatility. However, actual movements in the risk variables maybe greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations are not a definitive indicator of future variations in risk variables.

To determine what is a reasonably possible movement BlackRock has applied historical data for the past three years and applied two standard deviations to the outcome. In regards to the swap investments, BlackRock has assumed the impact will be in line with historical correlation with the index.

	Price Risk		Interest Rate Risk	
30 June 2011	+34.43 %	-34.43%	+0.86%	-0.86%
	\$157,756,710	(\$157,756,710)	\$199,669	(\$199,669)
30 June 2010	+38.50%	-38.50%	+1.09%	-1.09%
	\$181,256,520	(\$181,256,520)	\$216,909	(\$216,909)

(d) 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) Alpha Swaps

The Alpha Equity Swaps are contractual agreements between the Responsible Entity and UBS AG, Australian branch (UBS) to exchange periodic cash flows where one of the cash flows is linked to equity model portfolios and the other cash flow an interest rate variable with capital protection through notional bond, put and call options. The ability of UBS to perform its obligations under the Payment Agreement in respect of the Alpha Model Portfolios will depend on its creditworthiness during and at Maturity. Under the Payment Agreement, UBS have a direct contractual relationship with the Responsible Entity. The investor will not be a secured creditor of UBS or have a direct contractual right relationship or rights against UBS. As at 30 June 2011, UBS AG, Australian branch had a long term senior debt rating of Aa3 from Moody's Investor Services (Moody). As at 30 June 2010 the rating of UBS AG was Aa3.

Alpha Lion Asia Note

Investors in the Alpha Customised Portfolio Service are invested in a note issued by UBS AG, Australian branch which provides exposure to a basket of Asian listed securities. The Note provides for leverage, capital protection, dynamic hedging and use of options. UBS is the Note issuer to the Responsible Entity and investors have no rights of direct recourse against UBS. UBS has a long term senior debt rating of Aa3 from Moody.

The swaps held in the Fund are secured over equities held by the particular Models. The risk is quarantined to those investors in those Models as set out below. Further details of securities held are included in Note 9.

NOTE 7: FINANCIAL RISK MANAGEMENT (continued)

	2011	2010
Fair Value	\$'000	\$'000
Alpha Model Portfolio - Lonsec	32,158	36,071
Alpha Model Portfolio - Aegis	29,568	36,955
Alpha Model Portfolio - Lonsec v2	10,758	14,452
Alpha Model Portfolio - Aegis v2	12,040	15,375
Alpha Lion Asia Note	2,228	2,845

(ii) Other Derivatives

	2011	2010
Fair Value	\$'000	\$'000
China Fund Leveraged Swap	964	1,176
China Fund Protected Swap	38	112
Shield Euro Call Option	13	28
Shield Reserve Asset	3,973	7,164

China Fund Leveraged Swap

The dynamically leveraged model portfolio provides investors with a return linked to the Merrill Lynch China Fund Strategy with exposure to notional investment in the Premium China Fund units and notional borrowing to invest in Premium China Fund units. Notional exposure to the leveraged China Fund strategy is gained through a leveraged swap contract with Merrill Lynch International. Merrill Lynch International is the counterparty to the continuous protection swap contract.

China Fund Protected Swap

The Protected China Fund Strategy, provided under the terms of the continuous protection swap contract with Merrill Lynch International, provides capital protection and replicates a dynamic investment strategy that allocates funds between notional investment in units in the Premium China Fund and a notional investment in cash. Merrill Lynch International is the counterparty to the continuous protection swap contract. Merrill Lynch & Co., is the guarantor of Merrill Lynch International's obligation under the continuous swap protection contract.

Shield Euro Call Option

The Swap agreement entered into by BlackRock with Merrill Lynch International, as part of its dynamic management arrangement, provides for capital protection to the investor at the end of the 7 years to maturity or may be terminated earlier in certain circumstances.

(ii) 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.

(iii) Other Credit Risk

Exposure to credit risk on cash and cash equivalents, margin accounts and amounts due from brokers (receivables) is considered to be minimal due to the high credit rating of the relevant financial institutions and the short time to settlement, in the case of brokers.

NOTE 7: FINANCIAL RISK MANAGEMENT (continued)

(e) 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 investor requests for redemptions and daily margin calls on derivatives. The liquidity risks associated with the need to satisfy investors' requests for redemptions and other obligations (such as fees) are mitigated by having a minimum cash holding of 2% in each investor's Personal Portfolio account. If at any point in time there was insufficient cash to fund a redemption payment, securities in the investor's Personal Portfolios would be sold to meet the required redemption and the redemption would be paid post settlement of the sale of these securities (normally T+3).

The table below analyses the Fund's financial liabilities (excluding derivatives) 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.

Separately Managed Accounts As at 30 June 2011	Less than 12 months \$'000	1 - 3 years \$'000	3 - 5 years \$'000	> 5 years \$'000	On Call \$'000
Accounts Payable and Accrued Expenses	(3,125)	-	-	-	-
Net Assets Attributable to Investors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(572,614)</u>
Total	<u>(3,125)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(572,614)</u>

Separately Managed Accounts As at 30 June 2010	Less than 12 months \$'000	1 - 3 years \$'000	3 - 5 years \$'000	> 5 years \$'000	On Call \$'000
Accounts Payable and Accrued Expenses	(3,797)	-	-	-	-
Net Assets Attributable to Investors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(493,622)</u>
Total	<u>(3,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(493,622)</u>

Alpha Equity Swaps (financial liabilities)

In the Alpha Model Portfolio, under the Alpha Equity Swaps arrangement, periodic cash flows are exchanged with UBS AG, Australian branch where one of the cash flows is linked to equity model portfolios and the other cash flow an interest rate variable with capital protection through notional bond, put and call options.

As the future cash flows are based on future events and hence the timing and amounts are uncertain, these have not been included in the table above. Investors have the right to redeem from the Fund's Alpha Model Portfolios periodically (generally at least monthly). As at 30 June 2011, all five Alpha Models invested in swap arrangements with UBS were in asset positions with fair value of \$86,751,362. As at 30 June 2010, the five Alpha Models operational were in an asset position with fair value of \$105,698,910. These amounts best represent the amount that would be payable if investors were to redeem their investments on balance date.

(f) Fair Value of Financial Assets and Liabilities

The carrying amounts of the Fund'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 Statement of Comprehensive Income.

NOTE 7: FINANCIAL RISK MANAGEMENT (continued)

- *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 Fund values its investments in accordance with the accounting policies set out in Note 2. For the majority of investments the Fund relies on information provided by independent pricing services for the valuation of investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, mid-market prices are used as a basis for establishing fair values for the offsetting risk positions and bid or asking prices are applied 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.

- *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, estimated 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 Fund 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.

NOTE 7: FINANCIAL RISK MANAGEMENT (continued)

(g) Fair Value Hierarchy

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

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

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.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2011				
Financial Assets				
Financial Assets held at Fair Value through Profit or Loss				
- Equity Securities	434,125	8,957	17	443,099
- Units in Listed Trusts	15,292	-	-	15,292
Financial Assets held for Trading				
- Swaps	-	-	91,740	91,740
Total	<u>449,417</u>	<u>8,957</u>	<u>91,757</u>	<u>550,131</u>
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2010				
Financial Assets				
Financial Assets held at Fair Value through Profit or Loss				
- Equity Securities	338,719	3,860	18	342,597
- Units in Listed Trusts	14,040	-	34	14,074
Financial Assets held for Trading				
- Swaps	-	-	114,178	114,178
Total	<u>352,759</u>	<u>3,860</u>	<u>114,230</u>	<u>470,849</u>

No transfers between levels occurred during the year for the Fund.

Separately Managed Accounts
Notes to the Financial Statements
For the year ended 30 June 2011

NOTE 7: FINANCIAL RISK MANAGEMENT (continued)

The following table presents the movement in Level 3 instruments for the year ended 30 June 2011 and 30 June 2010 by class of financial instruments.

	Equity Securities \$'000	Units in Listed Trusts \$'000	Swaps \$'000	Total \$'000
30 June 2011				
Opening Balance	18	34	114,178	114,230
Purchase	-	4	300	304
Sales	(4)	(33)	(30,965)	(31,002)
Transfers in to Level 3	2	-	-	2
Transfers out of Level 3	-	-	-	-
Gains and losses recognised in profit or loss	<u>1</u>	<u>(5)</u>	<u>8,227</u>	<u>8,223</u>
Closing Balance	<u><u>17</u></u>	<u><u>-</u></u>	<u><u>91,740</u></u>	<u><u>91,757</u></u>

	Equity Securities \$'000	Units in Listed Trusts \$'000	Swaps \$'000	Total \$'000
30 June 2010				
Opening Balance	17	-	105,975	105,992
Purchase	3	12	10,265	10,280
Sales	-	(9)	(18,029)	(18,038)
Transfers in to Level 3	-	-	-	-
Transfers out of Level 3	-	-	-	-
Gains and losses recognised in profit or loss	<u>(2)</u>	<u>31</u>	<u>15,967</u>	<u>15,996</u>
Closing Balance	<u><u>18</u></u>	<u><u>34</u></u>	<u><u>114,178</u></u>	<u><u>114,230</u></u>

NOTE 8: 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 9: DERIVATIVES

	30 June 2011		30 June 2010	
	Contract/Notional \$'000	Fair Value Asset/(Liability) \$'000	Contract/Notional \$'000	Fair Value Asset/(Liability) \$'000
Alpha Equity Swaps				
Alpha Model Portfolio - Lonsec	36,963	32,158	45,146	36,071
Alpha Model Portfolio - Aegis	33,986	29,568	46,253	36,955
Alpha Model Portfolio - Lonsec v2	13,481	10,758	20,076	14,452
Alpha Model Portfolio - Aegis v2	15,088	12,040	21,654	15,375
Alpha Lion Asia Note	2,611	2,228	3,560	2,845
Others				
China Fund Leveraged Swap	2,118	964	2,217	1,176
China Fund Protected Swap	24	38	72	112
Shield Euro Call Option	172	13	326	28
Shield Reserve asset	4,623	<u>3,973</u>	8,773	<u>7,164</u>
Total		<u>91,740</u>		<u>114,178</u>

The Alpha Equity Swaps are contractual agreements between the Responsible Entity and UBS AG, Australian branch to exchange periodic cash flows where one of the cash flows is linked to equity model portfolios and the other cash flow an interest rate variable with capital protection through notional bond, put and call options.

The Alpha Equity Swaps are recorded at fair value based on the "ask" price quoted by the issuer. Any gains or losses are recorded in the relevant period as a change in the fair value in the Statement of Comprehensive Income.

As part of the contractual agreement UBS AG, Australian branch has been granted a charge over the accounts of the investors who have selected model portfolios which include the Alpha Equity Swaps as part of their strategy.

The total value of assets subject to a charge in favour of UBS AG, Australian branch was \$86,751,362 at 30 June 2011 (2010: \$106,205,785). Details of the terms of this charge are provided in the relevant product disclosure 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 PERIOD

No significant events which have occurred since balance date which would impact on the financial position of the Fund disclosed in the Balance Sheet as at 30 June 2011 or on the results and cash flows of the Fund 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 5 to 27 are in accordance with the *Corporations Act 2001*, including
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, 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 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 Investors of Separately Managed Accounts

We have audited the accompanying financial report of Separately Managed Accounts ("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 as set out on pages 5 to 28.

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

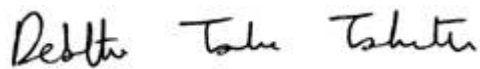
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Responsible Entity, would be in the same terms if given to the directors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

Opinion

In our opinion:

- (a) the financial report of Separately Managed Accounts is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Fund'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