

APPENDIX 4D

**Half Year Report
For the half-year ended 30 June 2012**

Name of entity: Alternative Investment Trust

1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

Current Reporting Period:	6 months to 30 June 2012
Previous Corresponding Period:	6 months to 30 June 2011

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

		2012 \$'000	2011 \$'000
2.1 Investment income /(loss)	Up 70.48% to	4,199	2,463
2.2 Change in net assets attributable to unitholders * (excluding capital returns)	Up 244.38% to	2,848	827
2.3 Profit /(loss) attributable to unitholders *	Up 290.67% to	2,848	729

*Excludes loss attributable to minority interest

	2012		2011	
	Amount per security	Tax deferred	Amount per security	Tax deferred
2.4 Distributions:	-	-	-	-
Final distribution	-	-	-	-
Interim distribution	-	-	-	-

2.5 Record date for determining entitlements to the final 2012 distribution - 30 June 2012
No distribution was declared or paid for the half-year ended 30 June 2012.

An explanation of results is indicated on page 4 of the interim financial report.

3 NET TANGIBLE ASSETS PER SECURITY

NTA per security as at 30 June 2012 (Ex distribution)	\$0.55**
NTA per security as at 30 June 2011 (Ex distribution)	\$0.98**

** Excludes NTA attributable to minority interests

4 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD
Not applicable

5 DETAILS OF INDIVIDUAL AND TOTAL DIVIDENDS OR DISTRIBUTIONS AND DIVIDEND OR DISTRIBUTION PAYMENTS
No distribution was declared or paid for the half-year ended 30 June 2012

6 DETAILS OF ANY DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS IN OPERATION
Not applicable

7 DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES
Not applicable

8 FOR FOREIGN ENTITIES, WHICH SET OF ACCOUNTING STANDARDS IS USED IN COMPILING THE REPORT
Not applicable

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

Alternative Investment Trust

ARSN 112 129 218

Interim financial report for the half-year ended 30 June 2012

Alternative Investment Trust
Interim Financial Report
For the Half-Year Ended 30 June 2012

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Alternative Investment Trust

Interim Financial Report
For the Half-Year Ended 30 June 2012

DIRECTORS' REPORT

The Directors of The Trust Company (RE Services) Limited (the “Responsible Entity”), the responsible entity of the Alternative Investment Trust (“AIT”), present their report together with the consolidated financial report of AIT and its controlled entities (the “Consolidated Entity”) for the half-year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

RESPONSIBLE ENTITY

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (ABN 45 003 278 831; AFSL 235150). The registered office and principal place of business of the Responsible Entity is Level 15, 20 Bond Street, Sydney, NSW 2000.

INVESTMENT MANAGER

Laxey Partners (UK) Ltd (“Laxey” or the “Investment Manager”) is the Investment Manager of AIT.

PRINCIPAL ACTIVITIES

AIT is a registered managed investment scheme domiciled in Australia. AIT has exposure to a portfolio of leading absolute return funds via a swap agreement with Macquarie Bank Limited (“the Swap”) and a single investment held outside the Swap, a 73% (2011: 73%) holding in the EBI Income Fund (“EBIIF”).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

AIT is currently in a process of asset realisation. During the half-year ended 30 June 2012, the Responsible Entity made two capital returns of \$19.6 million each, equating to \$39.2 million (2011: \$49.7 million). Since the appointment of Laxey, capital of \$170.0 million has been returned to the unitholders of AIT as at 30 June 2012 (2011: \$111.2 million).

Alternative Investment Trust
Interim Financial Report
For the Half-Year Ended 30 June 2012

DIRECTORS' REPORT (continued)

REVIEW AND RESULTS OF OPERATIONS

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

The results of the Consolidated Entity, as represented by the results of its operations, were as follows:

	Consolidated	
	Half-Year ended	
	30 June 2012	30 June 2011
	\$'000	\$'000
Operating profit/(loss) attributable to unitholders	2,838	827

VALUE OF ASSETS AND UNITS ISSUED

The total value of the Consolidated Entity's assets at 30 June 2012 is \$72,713,039 (31 December 2011: \$ 108,921,573). The total number of units on issue as at 30 June 2012 is 130,692,470 (31 December 2011: 130,692,470).

DISTRIBUTION/ RETURN OF CAPITAL

There were two returns of capital during the half-year ended 30 June 2012, with total capital returned equating to \$39.2 million (2011: \$49.7 million).

DIRECTORS AND OFFICERS

The Directors of the Responsible Entity, The Trust Company (RE Services) Limited, during the half-year and until the date of this report (unless otherwise noted) were:

Name	Title
John Atkin	Executive Director
David Grbin	Executive Director
Andrew Cannane	Executive Director
Rupert Smoker	Alternate Director for John Atkin, David Grbin, and Andrew Cannane (appointed 20 February 2012)

MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR

Other than the events disclosed in Note 10, there have been no matters or circumstances which have arisen since 30 June 2012 that have significantly affected, or may significantly affect:

- (i) the operations of the Consolidated Entity in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Consolidated Entity in future financial periods.

Alternative Investment Trust

Interim Financial Report
For the Half-Year Ended 30 June 2012

DIRECTORS' REPORT (continued)

ROUNDING

The Consolidated Entity is an entity of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Half-Year Financial Report. Amounts in the Directors' Report and Half-Year Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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 13.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



David Grbin
Sydney, 24 August 2012

Investment Manager's Report

Background

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

distributions from investments redeemed within the Swap, AIT was required to repay the Swap related debt. This repayment was completed in August 2010, and AIT has since been free to make distributions to shareholders once sufficient cash has built up.

Distributions to Unitholders:

AIT made two AUD 0.15 per unit distributions to unitholders during the six months to 30 June 2012. The first was paid to unitholders on 20 January 2012; this was largely financed from the Drawbridge corporate action highlighted in the annual report to 31 December 2011. The second was paid to unitholders on 8 June 2012, and this was financed by a number of redemptions across different underlying funds including some further Drawbridge receipts.

We are pleased to report that a total of AUD 1.30 per unit has been distributed to unitholders since the change of mandate in 2009; AIT has now returned 127% of its market value as at 31 January 2009. Further distributions will be made as redemption proceeds are received.

Trust Facts

(Parent Entity as at 30 June 2012)

• Gross Assets (GA):	AUD 72.3m
• Net Assets (NA):	AUD 71.7m
• Market Cap:	AUD 51m
• Units in Issue:	131m
• NTA / unit:	0.5483 AUD
• Leverage Ratio (GA / NA):	1.01
• Debt outstanding:	USD 0
• % of GA in 'Side Pockets'	41%

Capital Returns per unit:

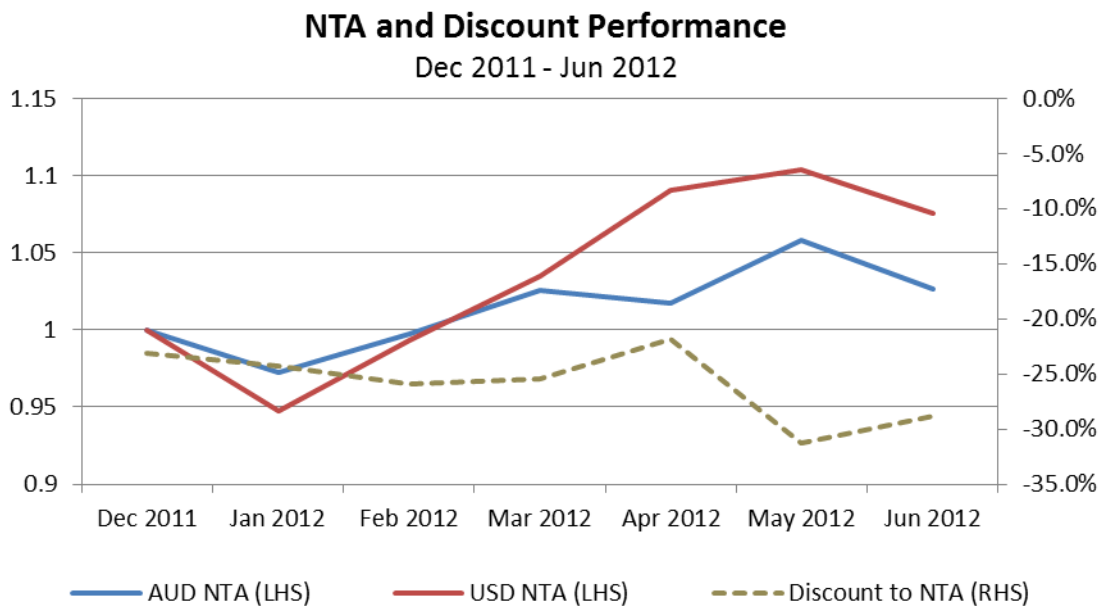
• Total H1 2012 Returns:	AUD 0.30
• Total Returns since Feb 2009:	AUD 1.30

Fund Performance

AIT’s reported NTA reduced from AUD 0.8265 on 31 December 2011 to AUD 0.5483 on 30 June 2012. After adjusting for the two returns of capital over this period, AIT’s NTA performance was +2.6%. Over the period, the AUD appreciated by 4.8% against the USD. As most of AIT’s funds report in USD while AIT itself reports in AUD, a strengthening of the AUD against the USD has a negative effect on AIT’s NTA. For the ongoing underlying funds (funds which did not redeem during the six months), there was a weighted average return of approximately +9% on a fixed exchange rate basis.

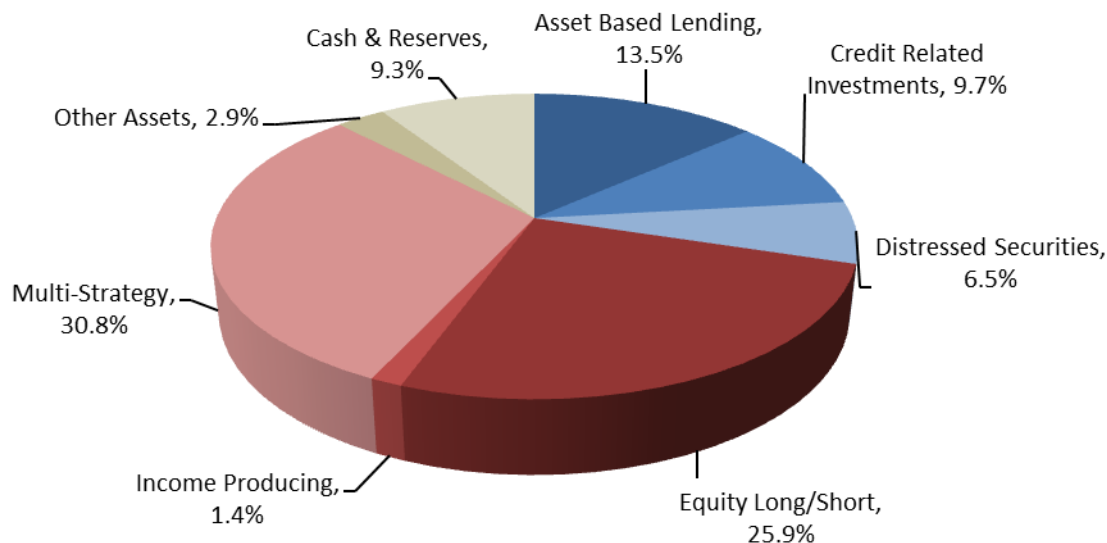
As at 30 June 2012, AIT’s net currency exposure was 93.2% to USD reporting funds, assets and liabilities, and 6.8% to AUD reporting funds, assets and liabilities. Note that the value of the underlying funds may be affected by exchange rate movements in their investments; on a ‘look through’ basis, AIT’s exposure to both the USD and AUD is overstated as there is no general policy amongst AIT’s underlying managers to hedge currency exposures of underlying investments to the reporting currency. This is particularly true of side pocket type investments which may hold assets denominated in currencies which are difficult to hedge back to USD.

The AUD and USD NTA performance (NTAs rebased to 1 at 31 December 2011, and adjusted for the January and June 2012 returns of capital, unaudited NTAs used for January to May), together with the discount performance of AIT from 31 December 2011 to 30 June 2012 is given below. NTA performance was positive in both currencies while the discount widened to near 30% as the second distribution was made.



Portfolio Review

AIT Strategy Allocation at 30 June 2012



Cash and Other Assets:

With the completion of debt repayment and the termination of the secondary BNP swap, AIT now has free use of its cash (less reserves) – together shown as 9.3% of gross assets in the above chart. ‘Other Assets’ largely consists of receivables; this is cash from redeemed funds that has yet to come through to AIT’s accounts.

AIT’s Top Holdings as at 30 June 2012:

FUND NAME	STRATEGY	% OF GROSS ASSETS
ESL Investments	Equity Long/Short	25.9%
Drawbridge Special Opportunities	Asset Based Lending	13.5%
TPG-Axon Partners Offshore Ltd	Multi-Strategy	6.1%
GSO Special Situations Overseas	Credit Related Investments	4.3%
Eton Park Overseas Fund Ltd	Multi-Strategy	4.2%
Cerberus International Ltd	Distressed Securities	3.9%
Och-Ziff Global Special Investments	Multi-Strategy	3.8%
Perry Partners International	Multi-Strategy	3.3%
Marathon Special Opportunity Fund	Credit Related Investments	3.3%
Everest Absolute Return Fund	Multi-Strategy	3.2%
TOTAL		71.5%

The above Top Portfolio Holdings constitute just over seventy percent of AIT’s portfolio and all are held within the Macquarie Swap. The remainder of the portfolio consists of numerous smaller investments with varying degrees of liquidity. On behalf of AIT, Laxey maintains contact with the fund managers of each of the investments in order to better understand AIT’s underlying exposure and its liquidity and risk profiles.

Details of AIT's Top Holdings:

ESL Investments (25.9% of Gross Assets): ESL has a number of large equity investments in retail companies, all primarily based in North America. These investments include AutoZone, a retailer of automotive parts and accessories, Sears, the department store, and AutoNation, which sells, finances and services new and used vehicles as well as holdings in Gap, Capital One Financial and CIT Group. This position has a fixed redemption date at the end of 2012. The manager of ESL has advised Laxey that this redemption point is likely to be gated by the fund with the consequence that the majority of the position will not be received until the end of 2013.

Drawbridge (13.5% of Gross Assets): An opportunistic diversified portfolio of investments primarily made in the United States, Western Europe and the Pacific region, focusing on asset-based transactions, loans and corporate securities. AIT's funds are in liquidation, and AIT receive regular payments from Drawbridge as the portfolio is wound down. The majority of the assets are held to maturity and Laxey have been advised by the manager that AIT will receive the bulk of the current NAV over the next 12-18 months though there are a number of side pocket positions which will take longer to fully liquidate. For the period under review, AIT received USD 1.1m from its liquidating Drawbridge positions.

TPG-Axon (6.1% of Gross Assets): TPG is a multi-strategy fund. It has returned the full amount of non-side pocketed positions to AIT and the remaining exposure is to six separate side pocket investments in a range of sectors and countries. For the period under review, TPG returned USD 1.9m to AIT.

GSO Special Situations (4.3% of Gross Assets): GSO is an alternative asset manager specializing in credit related investment. It manages a multi-strategy credit hedge fund, a mezzanine fund, a senior debt fund and various CLO vehicles. In March 2008, Blackstone acquired GSO Capital Partners LP and merged its own Credit Investment operation into GSO. AIT's investment in the Special Situations fund sits in the multi-strategy hedge fund; the main investment has now been redeemed, and the remaining investments – largely in private equity investments – are side-pocketed.

Eton Park Overseas Fund (4.2% of Gross Assets): Eton Park Overseas Fund's objective is to deliver superior risk-adjusted returns over a multi-year period with an absolute return orientation. Equity long/short and credit-related strategies are the two main areas of investment for this fund; although it also has exposure to event orientated investments, as well as investments in derivatives and special investments. The fund invests globally and has no set allocation to any region; though North America is a significant area of investment currently. AIT's remaining exposure to the main fund was redeemed in the period under review; the current exposure is exclusively to side pocket positions. Across AIT's holdings there are 20 of these side pocket positions. Eton Park returned USD 1.5m to AIT in the period under review.

Cerberus International (3.9% of Gross Assets): Cerberus predominantly makes investments in distressed securities, including those facing financial and operating difficulties and they have also made investments in secured debt, bank debt and mortgage related securities. Due to large volumes of redemption requests in 2008, Cerberus held back the majority of AIT's position as a liquidating investment, and AIT currently receives small payments roughly on a quarterly basis. The amount received is dependent upon underlying liquidations. As with last year, valuations improved over the period (+7% overall) though again, relatively small amounts of cash were returned to AIT.

Och-Ziff Global Special Investments (3.8% of Gross Assets): OZ Global Special Investments is a multi-strategy fund with a bias toward taking investment positions that may be highly illiquid with a view to medium to long term returns. This fund's geographic focus is primarily though not exclusively toward developed markets and it invests across a variety of sectors. As the bulk of the liquid portion of the fund has already been returned to AIT, the remaining exposure is to a large range of side pocket type positions. As with all side pocket positions, there is no fixed redemption profile though a number of investments are expected to exit over the course of 2012.

Perry Partners (3.3% of Gross Assets): Perry Partners is a multi-strategy fund with a principle focus on opportunity and event driven investing in a range of sectors across both credit and equity. The exposure here is mainly to side pocket positions.

Marathon Special Opportunity Fund (3.3% of Gross Assets): Redemption proceeds for the majority of Marathon Special Opportunity Fund were received as expected at the beginning of 2011 and AIT is now solely exposed to a number of side pocket positions.

Everest Absolute Return Fund (3.2% of Gross Assets): The Everest Absolute Return Fund is invested in a diversified portfolio of absolute return funds. As with AIT itself, the funds held by EARF are spread across a range of investment managers and EARF's strategy exposure includes long/short equity, distressed securities, multi-strategy, managed futures, global macro and arbitrage. The fund was restructured towards the end of 2008. It is currently being managed with a view to returning cash to unitholders. As expected, in the period under review, EARF returned AUD 1.75m to AIT.

Further Updates:

Everest Funds (EBIIF and EARF): As noted in the December 2011 Annual Report, both **EBIIF** and **EARF** have advised AIT that Everest Capital Limited ("ECL", now known as Redleaf Capital Limited) has notified Everest Babcock & Brown Income Fund (EBBIF), a fund in which EBIIF has an investment, and EARF that it may seek to exercise certain indemnity rights against the funds' assets. These rights – if they do arise – rank ahead of unitholders claims on the funds' assets. No claim has yet been made in relation to EBBIF's assets but a claim has now been made against EARF – representing approximately 12% of its net assets at the end of June 2012. With regard to this claim, no payments have been made and based on the information provided to date by ECL to support the claim, the current trustee of EARF, a subsidiary of One Investment Group ("OIG"), is not satisfied that the claim is valid. Both funds have been able to make distributions to unitholders but both funds will hold back a certain amount of cash based on discussions with their advisors and ECL until the situation is resolved. OIG continue to review the situation and Laxey keep in regular contact to monitor it.

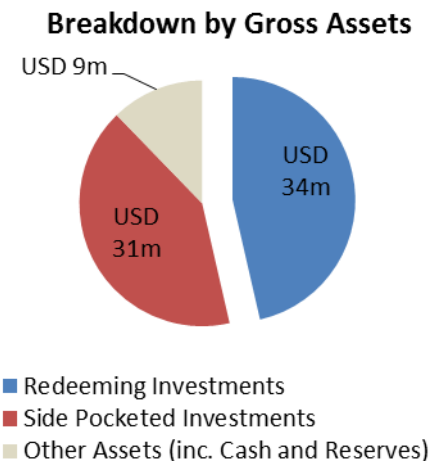
Liquidity Profile and Side Pocket Positions

AIT is debt free and all of the underlying funds have received redemption requests. No new gates or other restrictions were imposed by managers on underlying funds during the period though based on informal advice from the manager, Laxey expect a gate to be imposed on the ESL position which would hold back a portion of the redemption by one year. This is factored into the fund's liquidity profile. With the majority of fixed redemption date funds redeemed, AIT is increasingly exposed to funds undergoing full or significant liquidation and side pocket positions. This means that, at best, redemption proceeds follow indicative rather than firm timeframes and are dependent on the underlying managers realising individual illiquid investments.

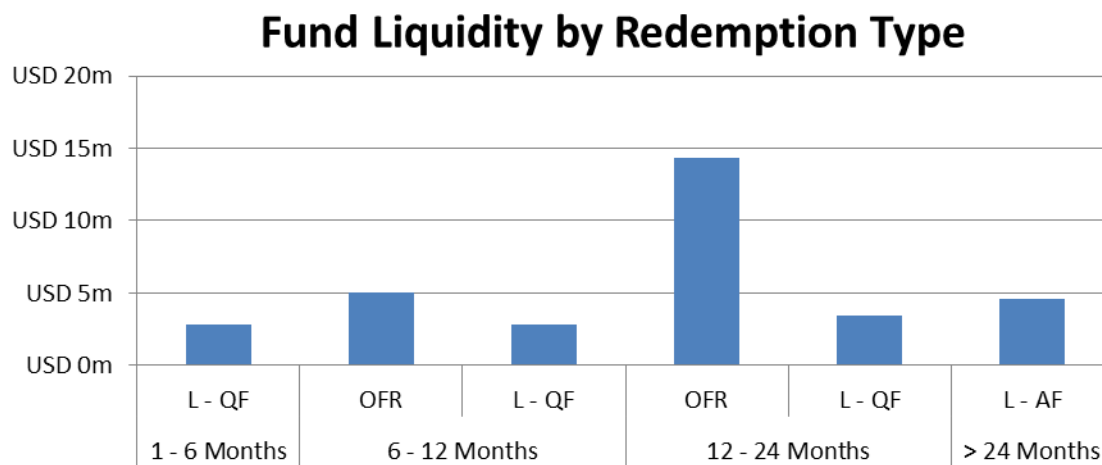
Liquidating funds are those which, because of large volumes of redemption requests, were forced to close, and realise assets, distributing proceeds to investors as they become available. This dependence on the realisation of assets such as these makes distributions less certain. Laxey classifies these assets into those which make regular (but not guaranteed) distributions – usually on a quarterly basis – and those which only make ad hoc distributions as cash becomes available to them.

Side pocket positions are esoteric and extremely illiquid investments that are made by an underlying investment manager from within an underlying fund and are treated as a separate account to the main fund. When a side pocket investment is made, all current investors in the main fund receive a pro rata share of the side pocket. Once an investor redeems their main fund position, they retain their side pocket exposure (until its realisation) but they do not gain exposure to any new side pocket positions. The liquidity of a side pocket position is tied to a particular investment and as such, shareholders must wait for the manager to realise this asset before receiving cash back. Although such positions are taken with a specific exit strategy in mind, the liquidity date is often highly unpredictable, and they tend to have 2-4 year horizons on initial investment, though in practice these positions can take significantly longer to reach full completion. In most cases, managers will not give specific liquidity dates for positions unless they are very close to realisation. Given that these side pocket assets cannot be easily liquidated, that there is often some doubt as to the exact date of their realisation, and that they may not be redeemed at the request of the investor, Laxey treats these investments separately to the main funds in determining the liquidity profile of AIT. As with all fund positions however, Laxey monitor and speak to the underlying investment funds on a regular basis in order to better understand the portfolio's risk and its liquidity profile.

41% of AIT's assets are in side pocket investments. This is an increase from 30% at 31 December 2011. This increase reflects the fact that that AIT has reduced its cash levels through its two distributions over the period. Many of the side pocket positions will be able to make distributions in the near term, but given the nature of their liquidity they are classed separately to the main funds for liquidity purposes. The chart to the right illustrates this division.



The remainder of AIT's non-cash exposure (46% of gross assets) is broken down in the following chart:



Glossary

MDR - AF: Multi date redemption - Annual flow;
 MDR - QF: Multi date redemption - Quarterly flow;
 OFR: Once-off full redemption;

L - AF: Liquidating Fund - Ad hoc flow;
 L - QF: Liquidating Fund - Quarterly flow

The above chart uses the best information available to Laxey, but given the nature of fund redemptions, the liquidity profiles may be subject to change in light of new information or events.

6% of AIT's gross assets are classed as liquidating with an ad hoc flow of distributions - bringing AIT's total exposure to assets with difficult to determine liquidity to 48% of gross assets.

This leaves 40% of current gross assets exposed to funds with a – relatively – predictable liquidity timetable. Under current expectations all of these positions will have redeemed by end 2014. Note none of these figures account for possible early exits or (with the exception of ESL) potential future gates that managers may impose if there is a a large outflow of investors from a particular fund. Hence, there is a chance that some positions may be redeemed at an earlier (or later) than expected date.

Outlook

The priority of the fund is to make distributions in as timely a manner as possible once sufficient cash has been built up from redemption proceeds.



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of Trust Company (RE Services) Limited

In relation to our review of the financial report of Alternative Investment Trust for the half-year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young logo.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Rita Da Silva'.

Rita Da Silva
Partner
24 August 2012

Alternative Investment Trust
Statement of Comprehensive Income
For the Half-Year Ended 30 June 2012

		Consolidated	
		Half-Year ended	
		30 June	30 June
		2012	2011
Notes		\$'000	\$'000
Investment income			
Net gains/(losses) on financial instruments held at fair value through profit or loss	2	3,811	369
Interest income		367	519
Foreign exchange gains/(losses) on loans and receivables		-	706
Other foreign exchange gains/(losses)		21	1,527
Impairment expense		-	(658)
Total investment income/(loss)		4,199	2,463
Expenses			
Responsible entity fees	9	46	71
Management fees	9	733	1,042
Other operating expenses	3	582	523
Total operating expenses		1,361	1,636
Operating profit/(loss) attributable to unitholders		2,838	827
Change in net assets attributable to:			
Unitholders of AIT		(2,848)	(729)
Non controlled minority interest		10	(98)
Total comprehensive income		-	-
Basic and diluted earnings per unit in cents	8	2.18	0.56

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

Alternative Investment Trust

Statement of Financial Position

As at 30 June 2012

		Consolidated	
		As at	
		30 June	31 December
		2012	2011
Notes		\$'000	\$'000
Assets			
Cash and cash equivalents		2,713	19,983
Receivables	4	51	55
Financial assets at fair value through profit or loss	5	69,949	88,884
Total assets		72,713	108,922
Liabilities			
Payables	6	695	534
Total liabilities (excluding net assets attributable to unitholders)		695	534
Net assets attributable to unitholders		72,018	108,388
Represented by:			
Units on issue		453,078	492,286
Undistributed loss to unitholders		(381,424)	(384,272)
Non controlled minority interest		364	374
		72,018	108,388

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Alternative Investment Trust

Statement of Changes in Net Assets Attributable to Unitholders For the Half-Year Ended 30 June 2012

	Consolidated Half-Year ended			Total
	Units on issue	Undistributed loss	Non controlled minority interest	
	\$'000	\$'000	\$'000	
At 1 January 2012	492,286	(384,272)	374	108,388
Return of capital	(39,208)	-	-	(39,208)
Profit/(loss) for the year attributable to unitholders	-	2,848	(10)	2,838
As at 30 June 2012	453,078	(381,424)	364	72,018
At 1 January 2011	561,548	(384,177)	5,649	183,020
Return of capital	(49,663)	-	(341)	(50,004)
Profit/(loss) for the year attributable to unitholders	-	729	98	827
As at 30 June 2011	511,885	(383,448)	5,406	133,843

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes.

Alternative Investment Trust

Statement of Cash Flows For the Half-Year Ended 30 June 2012

	Consolidated	
	Half-Year Ended	
	30 June 2012	30 June 2011
	\$'000	\$'000
Cash flows from operating activities		
Interest received	367	184
Other income received	17	29
Payment of Management fees, Responsible Entity fees and other expenses	(1,200)	(2,439)
GST received/(paid)	(13)	16
Net cash used in operating activities	(829)	(2,210)
Cash flows from investing activities		
Proceeds from sale of investments	22,767	43,834
Net cash provided by investing activities	22,767	43,834
Cash flows from financing activities		
Return of capital to unitholders of AIT	(39,208)	(49,663)
Return of capital to non controlled minority interest	-	(341)
Net cash used in financing activities	(39,208)	(50,004)
Net decrease in cash and cash equivalents	(17,270)	(8,380)
Cash and cash equivalents at beginning of the half-year	19,983	12,653
Cash and cash equivalents at the end of the half-year	2,713	4,273

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

Alternative Investment Trust

Notes to the Financial Statements

For the Half-Year Ended 30 June 2012

General Information

Alternative Investment Trust (AIT) is an Australian registered managed investment scheme which comprises the entities controlled by AIT (known as the Consolidated Entity) and is also listed on the Australian Securities Exchange (ASX Code: AIQ). AIT was constituted on 7 April 2005.

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (the “Responsible Entity”). The registered office of The Trust Company (RE Services) Limited is Level 15, 20 Bond Street, Sydney, NSW 2000.

Laxey Partners (UK) Ltd (“Laxey” or the “Investment Manager”) is the Investment Manager of AIT.

The financial statements were authorised for issue by the Directors on 24 August 2012.

1. Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

Basis of preparation

This interim financial report for the half-year ended 30 June 2012 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss that have been measured at fair value. This is consistent with the intention of the Investment Manager to liquidate AIT on an orderly basis.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the Annual Report released to unitholders on 27 February 2012 and considered together with any public announcements made by the Responsible Entity during the half-year ended 30 June 2012 and up to the date of signing of these financial statements.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to AIT under ASIC Class Order 98/100.

Alternative Investment Trust
Notes to the Financial Statements
For the Half-Year Ended 30 June 2012

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

	Consolidated	
	Half-Year ended	
	30 June 2012	30 June 2011
	\$'000	\$'000
Financial instruments		
Fair value gains/(losses) on Total Return Swap	3,817	1,750
Net gains/(losses) on direct investments designated as fair value through profit or loss	9	50
Net foreign exchange gains/(losses) on investments designated as fair value through profit or loss	(15)	(1,431)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	3,811	369

3. Other operating expenses

	Consolidated	
	Half-Year ended	
	30 June 2012	30 June 2011
	\$'000	\$'000
Professional fees	254	139
Fund administration and custody expenses	185	185
Other general and administrative expenses	143	199
Total other operating expenses	582	523

4. Receivables

	Consolidated	
	As at	
	30 June	31 December
	2012	2011
	\$'000	\$'000
GST recoverable	46	33
Other receivables	5	22
Total receivables	51	55

No loss has been recognised in respect of receivables during the half-year ended 30 June 2012 (31 December 2011: nil).

Alternative Investment Trust
Notes to the Financial Statements
For the Half-Year Ended 30 June 2012

5. Financial assets at fair value through profit or loss

	Consolidated	
	As at	
	30 June 2012 \$'000	31 December 2011 \$'000
Financial assets at fair value through profit or loss		
Underlying investment portfolio (Total Return Swap)	68,889	87,833
Unlisted managed fund	1,060	1,051
Total financial assets designated as fair value through profit or loss	69,949	88,884

Investments in unlisted managed funds (including investments in unlisted managed funds that have suspended daily redemptions) are recorded at the redemption value per unit as reported by the managers of such funds.

6. Payables

	Consolidated	
	As at	
	30 June 2012 \$'000	31 December 2011 \$'000
Amounts owing to Responsible Entity	7	20
Management fees	390	59
Fund administration and custody expenses	69	88
Legal expenses	3	8
Other payables	226	359
Total payables	695	534

Alternative Investment Trust
Notes to the Financial Statements
For the Half-Year Ended 30 June 2012

7. Net assets attributable to unitholders

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

	Parent			
	Half-Year ended			
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	No.	No.	\$'000	\$'000
Opening balance at 1 January	130,692,470	130,692,470	108,014	177,371
Return of Capital	-	-	(39,208)	(49,663)
Change in net assets attributable to unitholders	-	-	2,848	729
Closing balance at 30 June	130,692,470	130,692,470	71,654	128,437

8. Earnings per unit

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

	Consolidated	
	Half-Year ended	
	30 June	30 June
	2012	2011
Income attributable to unitholders (\$'000)	2,848	729
Basic and diluted earnings per unit in cents	2.18	0.56
Weighted average number of units in issue ('000)	130,692	130,692

9. Related party transactions

The Responsible Entity of Alternative Investment Trust is The Trust Company (RE Services) Limited.

Responsible Entity's/Investment Manager's fees

The Trust Company (RE Services) Limited, charges 0.1% per annum (excluding GST) of gross assets, subject to a minimum of \$80,000 per annum. For the half-year ended 30 June 2012, The Trust Company (RE Services) Limited received \$45,638 (30 June 2011: \$71,075) for services rendered to AIT.

Directors of the Responsible Entity do not receive any fees directly from AIT.

Alternative Investment Trust
Notes to the Financial Statements
For the Half-Year Ended 30 June 2012

9. Related party transactions (continued)

Responsible Entity's/Investment Manager's fees

Laxey Partners (UK) Ltd, the Investment Manager, charges 0.75% per annum (excluding GST) of gross assets and 1% of distributions paid to investors (excluding GST). The Responsible Entity's Fees and Investment Manager's Fees in total are not to exceed 1.25% per annum of gross assets.

The Trust Company Limited, the Custodian, charges 0.025% per annum (excluding GST) of gross assets excluding the swap assets, payable quarterly in arrears, subject to a minimum annual fee of \$25,000 and subject to a CPI adjustment annually in arrears. For the half-year ended 30 June 2012, The Trust Company Limited received \$14,713 (30 June 2011: \$13,182) for services rendered to AIT.

All related party transactions are conducted on commercial terms and conditions. The transactions during the half-year between the Consolidated Entity and the Responsible Entity and Investment Manager were as follows:

	Consolidated Half-Year ended	
	30 June 2012	30 June 2011
	\$	\$
Fees paid to the Responsible Entity	45,638	71,075
Fees paid to the Responsible Entity	45,638	71,075
Fees paid to Laxey	733,711	1,042,110
Total Management Fees	733,711	1,042,110
Fees paid to the Custodian	14,713	13,182
Fees paid to the Custodian (included in other operating expenses)	14,713	13,182

The related party transactions above do not include any fees paid by EBI Income Fund to One Investment Group. As of 30 June 2012, the Consolidated Entity had a total of \$404,704 (31 December 2011: \$86,491) payable to the related parties.

Alternative Investment Trust
Notes to the Financial Statements
For the Half-Year Ended 30 June 2012

10. Events occurring after end of the reporting period

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

11. Contingent assets and liabilities and commitments

As noted in the December 2011 Annual Report, both EBI Income Fund (“EBIIF”) and Everest Absolute Return Fund (“EARF”) have advised AIT that Everest Capital Limited (“ECL”, now known as Redleaf Capital Limited) has notified Everest Babcock & Brown Income Fund (EBBIF), a fund in which EBIIF has an investment, and EARF that it may seek to exercise certain indemnity rights against the funds’ assets. These rights – if they do arise – rank ahead of unitholders claims on the funds’ assets. No claim has yet been made in relation to EBBIF’s assets but a claim has now been made against EARF – representing approximately 12% of its net assets at the end of June. With regard to this claim, no payments have been made and based on the information provided to date by ECL to support the claim, the current trustee of EARF, a subsidiary of One Investment Group (“OIG”), is not satisfied that the claim is valid. Both funds have been able to make distributions to unitholders but both funds will hold back a certain amount of cash based on discussions with their advisors and ECL until the situation is resolved. OIG continue to review the situation and Laxey keep in regular contact to monitor it.

Other than the above, there are no commitments or contingencies as at 30 June 2012 (30 June 2011: \$nil).

12. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		30 June 2012	31 December 2011
EBI Income Fund	Australia	73%	73%

13. Segment Information

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

Alternative Investment Trust

Directors' Declaration
For the Half-Year ended 30 June 2012

DIRECTORS' DECLARATION

In the opinion of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Alternative Investment Trust:

- (a) the financial statements and notes, set out on pages 14 to 23, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2012 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Alternative Investment Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.



David Grbin
Director
Sydney
24 August 2012

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

Report on Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alternative Investment Trust (the 'Trust'), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-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 Trust and the entities it controlled at the half-year end or from time to time during the half-year.

Responsible Entity's responsibility for the Half-Year Financial Report

The directors of the Responsible Entity of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Alternative Investment Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

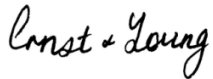
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alternative Investment Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of the Ernst & Young logo.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Rita Da Silva'.

Rita Da Silva
Partner
Sydney
24 August 2012