Macquarie Alpha Plus Fund

ARSN 096 152 911

Annual report - 30 June 2010

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Contents

This financial report covers Macquarie Alpha Plus Fund as an individual entity and the consolidated entity consisting of Macquarie Alpha Plus Fund and its subsidiaries.

The Responsible Entity of Macquarie Alpha Plus Fund is Macquarie Investment Management Limited (ABN 66 002 867 003). The Responsible Entity's registered office is Mezzanine Level, No. 1 Martin Place, Sydney, NSW 2000.

Directors' report

The directors of Macquarie Investment Management Limited, a wholly owned subsidiary of Macquarie Group Limited, the Responsible Entity of Macquarie Alpha Plus Fund, present their report together with the consolidated financial report of Macquarie Alpha Plus Fund ("the Trust") and its controlled entities (collectively, "the consolidated entity") for the year ended 30 June 2010.

Principal activities

The Trust invests in equities and derivatives in accordance with the provisions of the Trust Constitution.

The Trust did not have any employees during the year.

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

Directors

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

B N Terry
N Roderick (resigned 29/03/2010)
R Cartwright
V Malley
C Vignes
M Rady (resigned 01/02/2010)
C Swanger (appointed 08/02/2010)
T Graham (appointed 29/03/2010)

Review and results of operations

During the year, the Trust continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

Results

The performance of the consolidated entity and the Trust, as represented by the results of its operations, was as follows:

	Consolidated Year ended		**Parent Year ended**	
	30 June 2010	30 June 2009	**30 June 2010**	30 June 2009
Operating profit/(loss) before finance costs attributable to unitholders ($'000)	**45,491**	(64,698)	**44,665**	(65,614)
Distributions				
Distribution paid and payable ($'000)	**9,530**	9,186	**9,530**	9,163
Distribution (cents per unit)	**4.01**	4.24	**4.01**	3.27

Significant changes in state of affairs

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

Directors' report (continued)

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

(i) the operations of the Trust in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

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

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust 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 Trust 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 Trust.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of Macquarie Investment Management Limited or the auditors of the Trust. So long as the officers of Macquarie Investment Management Limited act in accordance with the Trust Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note 11 the financial statements.

No fees were paid out of Trust property to the directors of the Responsible Entity during the year.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 11 the financial statements.

Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in note 6 of the financial statements.

The value of the Trust's assets and liabilities is disclosed on the statements of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

R Cartwright
Director

Sydney
22 September 2010

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Auditor's Independence Declaration to the Directors of Macquarie Investment Management Limited, as Responsible Entity for Macquarie Alpha Plus Fund

In relation to our audit of the financial report of Macquarie Alpha Plus Fund for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
22 September 2010

Statements of comprehensive income

	Notes	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000	Parent 30 June 2010 $'000	Parent 30 June 2009 $'000
Investment income					
Interest income		**248**	581	**225**	556
Dividend income		**9,280**	12,058	**8,821**	11,535
Distribution income		**-**	-	**-**	139
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	**37,451**	(77,211)	**36,540**	(77,817)
Other operating income		**696**	1,453	**666**	1,539
Total net investment income/(loss)		**47,675**	(63,119)	**46,252**	(64,048)
Expenses					
Responsible Entity's fees	11	**2,164**	1,579	**1,572**	1,566
Withholding taxes		**9**	-	**6**	-
Other operating expenses		**11**	-	**9**	-
Total operating expenses		**2,184**	1,579	**1,587**	1,566
Operating profit/(loss)		**45,491**	(64,698)	**44,665**	(65,614)
Finance costs attributable to unitholders					
Distributions to unitholders of the parent entity		**(9,530)**	(9,163)	**(9,530)**	(9,163)
Distributions to minority interests		**(75)**	(23)	**-**	-
(Increase)/decrease in net assets attributable to unitholders of the parent entity	6	**(35,135)**	74,777	**(35,135)**	74,777
Decrease/(increase) in net assets attributable to minority interests		**(751)**	(893)	**-**	-
Profit/(loss) for the year		**-**	-	**-**	-
Total comprehensive income for the year		**-**	-	**-**	-

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

Statements of financial position

	Notes	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000	Parent 30 June 2010 $'000	Parent 30 June 2009 $'000
Assets					
Cash and cash equivalents	7	**3,671**	4,528	**3,671**	3,587
Deposits held with brokers for margin		**599**	-	**599**	-
Due from brokers - receivable for securities sold		**1,680**	1,412	**1,680**	425
Receivables		**1,049**	1,612	**1,049**	1,466
Financial assets held at fair value through profit or loss	8	**178,027**	249,856	**178,027**	246,629
Total assets		**185,026**	257,408	**185,026**	252,107
Liabilities					
Distributions payable		-	1	-	-
Due to brokers - payable for securities purchased		-	3,673	-	2,607
Responsible Entity fees payable		**301**	343	**301**	325
Other payables		-	24	-	24
Financial liabilities held at fair value through profit or loss	9	**316**	-	**316**	-
Total liabilities (excluding net assets attributable to unitholders of the parent entity)		**617**	4,041	**617**	2,956
Net assets attributable to minority interests (redemption price of units)		-	4,216	-	-
Net assets attributable to unitholders of the parent entity - liability	6	**184,409**	249,151	**184,409**	249,151

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

Statements of changes in equity

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Total equity at the beginning of the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-
Total equity at the end of the financial year	-	-	-	-

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

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

	Notes	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000	Parent 30 June 2010 $'000	Parent 30 June 2009 $'000
Cash flows from operating activities					
Proceeds from sale of financial instruments held at fair value through profit or loss		**259,073**	176,589	**238,918**	159,196
Purchase of financial instruments held at fair value through profit or loss		**(156,418)**	(161,741)	**(136,563)**	(165,817)
Dividends received		**9,430**	9,771	**8,524**	9,301
Interest received		**248**	627	**226**	603
Other income received		**207**	1,607	**159**	1,586
Responsible Entity's fees paid		**(2,251)**	(1,933)	**(1,763)**	(1,837)
Payment of other expenses		**(13)**	(3)	**(10)**	-
(Decrease)/increase in consolidated cash balance on gaining/losing control of subsidiary		**(72,331)**	2,298	**-**	-
Net cash inflow from operating activities	12(a)	**37,945**	27,215	**109,491**	3,032
Cash flows from financing activities					
Proceeds from applications by unitholders		**79,609**	20,408	**7,513**	37,902
Payments for redemptions by unitholders		**(118,398)**	(43,739)	**(116,920)**	(37,991)
Distributions paid		**(13)**	-	**-**	-
Net cash outflow from financing activities		**(38,802)**	(23,331)	**(109,407)**	(89)
Net (decrease)/increase in cash and cash equivalents		**(857)**	3,884	**84**	2,943
Cash and cash equivalents at the beginning of the year		**4,528**	644	**3,587**	644
Cash and cash equivalents at the end of the year	7	**3,671**	4,528	**3,671**	3,587
Non-cash financing activities	12(b)	**9,530**	9,184	**9,530**	9,163

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

1 General information

This financial report includes separate financial statements for Macquarie Alpha Plus Fund ("the Trust") as an individual entity and the consolidated entity consisting of Macquarie Alpha Plus Fund and its subsidiaries. The Trust was constituted on 20 March 2001.

The Responsible Entity of the Trust is Macquarie Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Mezzanine Level, No. 1 Martin Place, Sydney, NSW 2000. The financial report is presented in Australian currency.

The parent and ultimate parent of the Trust is Macquarie Active Plus Equity Fund. The Trust ceased its control over Macquarie High Conviction Fund on 31 March 2010.

During the year, the Trust continued to invest funds in accordance with target asset allocations as set out in the current offer document and in accordance with the provisions of the Trust Constitution.

The financial statements were authorised for issue by the directors on 22 September 2010. The directors of the Responsible Entity have the power to amend and reissue the financial report.

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) Basis of preparation

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

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

Compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Macquarie Alpha Plus Fund ("the parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Macquarie Alpha Plus Fund and its subsidiaries together are referred to in this financial report as the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are de-consolidated from the date that control ceases. The Trust ceased its control over its subsidiary, the Macquarie High Conviction Fund on 31 March 2010.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Trust.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated.

Minority interests in the results and net assets of subsidiaries are shown separately in the consolidated statements of comprehensive income and statements of financial position respectively.

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Investments in subsidiaries are accounted for at fair value in the individual financial statements of the Trust.

(c) Business combinations

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

The Trust values units in trusts at their redemption price which reflects the fair value of the investment.

(d) Financial instruments

(i) Classification

The Trust's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

  These include derivative financial instruments including futures. The Trust does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

  These include financial assets that are not held for trading purposes and which may be sold, such as investments in exchange traded equity securities and unlisted unit trusts.

  Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Trust's documented investment strategy. The Trust'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.

Loans and receivables/payables comprise amounts due to or from the Trust.

(ii) Recognition/derecognition

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

Investments are derecognised when the right to receive cashflows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) Measurement

(a) 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 financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statements of comprehensive income.

- Fair value in an active market

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

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

- Fair value in an inactive or unquoted market

  The fair value of derivatives that are not exchange traded is estimated at the amount that the Trust would receive or pay to terminate the contract at the statement of financial position 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 unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.

(b) Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment, such as a significant or prolonged decline in the fair value below carrying amount.

If any such indication of impairment exists an impairment calculation is undertaken and any impairment loss is recognised in the statements of comprehensive income as the difference between the asset's carrying amount and the present value of the revised estimated future cash flows discounted at the original effective interest rate.

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

(e) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Trust at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the statements of financial position date if unitholders exercised their right to put the units back to the Trust.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately on the statements of financial position.

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 Trust's main income generating activity.

(g) Investment income

Interest income is recognised in the statements of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method.

Dividend income is recognised on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

2 Summary of significant accounting policies (continued)

(h) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statements of comprehensive income on an accruals basis.

(i) Income tax

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

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

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

The Trust currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statements of comprehensive income.

(j) Distributions

In accordance with the Trust Constitution, the Trust distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statements of comprehensive income as finance costs attributable to unitholders.

(k) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statements of comprehensive income as finance costs.

(l) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Trust will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

(m) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(g) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

2 Summary of significant accounting policies (continued)

(n) Payables

Payables includes liabilities and accrued expenses owing by the Trust which are unpaid as at year end.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statements of financial position when unitholders are presently entitled to the distributable income under the Trust's Constitution.

(o) Applications and redemptions

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

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as investment management fees have been passed onto the Trust. The Trust qualifies for RITC at a rate of 75% hence investment management fees and other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

(q) Use of estimates

The Trust 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 Trust'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 accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and related amendment AASB 2009-11 replacing AASB 139 *Financial Instruments: Recognition and Measurement*

The Australian Accounting Standards Board has now issued AASB 9 Financial Instruments which altered the classification and measurement of financial instruments. Under the new standard only two possible classifications arise, rather than the four existing classifications currently available under AASB 139 Financial Instruments: Recognition and Measurement, and will result in all financial assets being measured at amortised cost or fair value through profit and loss or through other comprehensive income. Financial liabilities are currently excluded from the scope of this standard. The standard is mandatorily applicable for annual reporting periods beginning on or after 1 January 2013. The Trust has not adopted this standard early and is still assessing the full impact of this standard.

(s) Rounding of amounts

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

(t) Investments in subsidiaries

Investments in subsidiaries are measured in accordance with note 2(d).

3 Financial risk management

(a) Strategy in using financial instruments

The consolidated entity and the Trust's activities expose it to a variety of financial risks: market risk (including price risk), credit risk and liquidity risk.

Consolidated Entity

The consolidated entity's financial risk is managed by the Investment Manager of the individual unit trusts within the consolidated entity. No other risk management occurs for the consolidated entity.

Parent Entity

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's governing documents and the law and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. The Trust uses derivative financial instruments to alter certain risk exposures.

Financial risk management is carried out by the Responsible Entity's risk management team under policies approved by Responsible Entity's senior managers or by the board of directors of the Responsible Entity (the Board).

3 Financial risk management (continued)

(b) Market risk

(i) Price risk

The Trust trades in financial instruments by taking positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equity markets.

All securities investments present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Trust's overall market positions are monitored on a daily basis by the Trust's Investment Manager.

In accordance with the Trust's policy, the risk management department of the Trust's Investment Manager monitors the Trust's overall market price sensitivity on a daily basis. This risk is managed by:

- seeking to ensure the Trust is fully invested
- limiting investments in less liquid, long dated floats
- limiting exposure to floats
- managing exposure to particular sectors and single securities
- seeking to ensure stock weights are within defined limits
- seeking to ensure that the Trust is investing in accordance with its stated objectives

The consolidated entity and the Trust's equity securities and trading derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

At 30 June 2010, the consolidated entity's market risk is affected by changes in market prices. If the S&P/ASX 300 Accumulation Index at 30 June 2010 had increased by 15% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately $26,656,654 (2009: $37,478,000). Conversely, if the S&P/ASX 300 Accumulation Index at 30 June 2010 had decreased by 15% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately $26,656,654 (2009: $37,478,000).

At 30 June 2010, the Trust's market risk is affected by changes in market prices. If the S&P/ASX 300 Accumulation Index at 30 June 2010 had increased by 15% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately $26,656,654 (2009: $36,994,000). Conversely, if the S&P/ASX 300 Accumulation Index at 30 June 2010 had decreased by 15% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately $26,656,654 (2009: $36,994,000).

(ii) Foreign exchange risk

The Trust is not exposed to foreign exchange risk as all assets are denominated in Australian dollars.

(iii) Interest rate risk

The majority of the Trust's financial assets and liabilities are non-interest bearing. As a result, the Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

(c) Credit risk

Credit risk arises from the Trust's investment in underlying trusts.

Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, counterparties to derivatives and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

The consolidated entity and the trust restrict their exposure to credit losses on cash and cash equivalents by managing exposures to single issuers and only investing in banks.

3 Financial risk management (continued)

(c) Credit risk (continued)

In accordance with the Trust's policy, the risk management area of the Investment Manager monitors the Trust's credit position on a daily basis. The Compliance Committee of the Responsible Entity reviews any identified exceptions to internal risk policies and procedures on a quarterly basis.

(d) Liquidity risk

The Consolidated entity and the Trust are exposed to daily cash redemptions of redeemable units. They therefore invest the majority of their assets in investments that are traded in an active market and can be readily disposed of.

The Trust may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Trust may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of reporting period.

In accordance with the Trust's policy, the risk management area of the Investment Manager monitors the Trust's liquidity position on a daily basis. This is managed by:

- monitoring liquidity with respect to liquid assets and large single client holdings

- restricting exposure to illiquid, long-dated stock floats

The Compliance Committee of the Responsible Entity reviews any identified exceptions to internal risk policies and procedures on a quarterly basis.

Subject to the *Corporations Act 2001* and the Trust's Constitution, redeemable units are redeemed on demand at the unitholder's option. All other liabilities are payable within 30 days except for future contracts that are settled within 90 days.

(e) Fair value estimation

The carrying amounts of the Trust's assets and liabilities at the reporting date approximate their fair values.

The Trust has adopted the amendments to AASB 7, effective 1 July 2009. This requires the Trust 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 judgement, considering factors specific to the asset or liability.

3 Financial risk management (continued)

(e) Fair value estimation (continued)

The table below sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Parent - as at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	147,875	-	-	147,875
- Unlisted unit trusts	-	30,152	-	30,152
Total	147,875	30,152	-	178,027
Liabilities				
Financial liabilities held for trading:				
- Derivatives	316	-	-	316
Total	316	-	-	316

4 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	Consolidated		Parent	
	30 June 2010 $	30 June 2009 $	**30 June 2010 $**	30 June 2009 $
Audit services				
Audit and review of financial reports	**10,600**	15,946	**4,300**	8,588
Other audit work under the *Corporations Act 2001*	**580**	2,800	**290**	1,400
Total remuneration for audit services	**11,180**	18,746	**4,590**	9,988

Audit fees are paid out of the Responsible Entity's own resources.

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

Net gains/(losses) recognised in relation to financial instruments held at fair value through profit or loss:

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Net gains/(losses) on financial instruments held for trading	**882**	(3,472)	**617**	(3,459)
Net gains/(losses) on financial instruments designated as at fair value through profit or loss	**36,569**	(73,739)	**35,923**	(74,358)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	**37,451**	(77,211)	**36,540**	(77,817)

6 Net assets attributable to unitholders of the parent

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

As stipulated within the Trust Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

	Parent			
	30 June 2010 No. '000	30 June 2009 No. '000	**30 June 2010 $'000**	30 June 2009 $'000
Opening balance	**282,033**	271,003	**249,151**	314,854
Applications	**7,277**	41,500	**7,513**	37,902
Redemptions	**(107,175)**	(40,776)	**(116,920)**	(37,991)
Units issued upon reinvestment of distributions	**9,026**	10,306	**9,530**	9,163
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**35,135**	(74,777)
Closing balance	**191,161**	282,033	**184,409**	249,151

Capital risk management

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

The Trust monitors the level of daily applications and redemptions relative to the liquid assets in the Trust.

7 Cash and cash equivalents

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Cash at bank	**11**	226	**11**	92
Deposits at call	**3,660**	4,302	**3,660**	3,495
	3,671	4,528	**3,671**	3,587

8 Financial assets held at fair value through profit or loss

	Consolidated		Parent	
	30 June 2010 Fair value $'000	30 June 2009 Fair value $'000	**30 June 2010 Fair value $'000**	30 June 2009 Fair value $'000
Held for trading				
Derivatives (note 10)	**-**	69	**-**	65
Total held for trading	**-**	69	**-**	65
Designated at fair value through profit or loss				
Equity securities	**147,875**	249,787	**147,875**	220,743
Unlisted unit trusts	**30,152**	-	**30,152**	25,821
Total designated at fair value through profit or loss	**178,027**	249,787	**178,027**	246,564
Total financial assets held at fair value through profit or loss	**178,027**	249,856	**178,027**	246,629
Comprising:				
Derivatives				
Australian Share Price Index futures	**-**	69	**-**	65
Total derivatives	**-**	69	**-**	65
Equity securities				
Australian equity securities listed on a prescribed stock exchange	**147,875**	249,787	**147,875**	220,743
Total equity securities	**147,875**	249,787	**147,875**	220,743
Unlisted unit trusts				
Units in Australian equity trusts	**30,152**	-	**30,152**	25,821
Total unlisted unit trusts	**30,152**	-	**30,152**	25,821
Total financial assets held at fair value through profit or loss	**178,027**	249,856	**178,027**	246,629

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3.

9 Financial liabilities held at fair value through profit or loss

	Consolidated		Parent	
	30 June 2010 Fair value $'000	30 June 2009 Fair value $'000	**30 June 2010 Fair value $'000**	30 June 2009 Fair value $'000
Held for trading				
Derivatives (note 10)	**316**	-	**316**	-
Total held for trading	**316**	-	**316**	-
Total financial liabilities held at fair value through profit or loss	**316**	-	**316**	-

9 Financial liabilities held at fair value through profit or loss (continued)

	Consolidated		Parent	
	30 June 2010 Fair value $'000	30 June 2009 Fair value $'000	**30 June 2010 Fair value $'000**	30 June 2009 Fair value $'000
Comprising:				
Derivatives				
Australian Share Price Index futures	316	-	316	-
Total derivatives	316	-	316	-
Total financial liabilities held at fair value through profit or loss	316	-	316	-

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 3.

10 Derivative financial instruments

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

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

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Trust's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trust against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trust.

The Trust holds the following derivative instruments:

Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

10 Derivative financial instruments (continued)

The Trust's derivative financial instruments at year-end are detailed below:

Consolidated
30 June 2010

	Contract/ notional '000	Fair Values Assets $'000	Fair Values Liabilities $'000
Buy			
Australian Share Price Index futures	6,180	-	316
		-	316

Consolidated
30 June 2009

	Contract/ notional '000	Fair Values Assets $'000	Fair Values Liabilities $'000
Buy			
Australian Share Price Index futures	2,828	69	-
		69	-

11 Related party transactions

Parent entities

At 30 June 2010 Macquarie Active Plus Equity Fund owned 77.52% (2009: 84.93%) of the units of Macquarie Alpha Plus Fund.

Responsible Entity

The Responsible Entity of Macquarie Alpha Plus Fund is Macquarie Investment Management Limited (MIML), a wholly owned subsidiary of Macquarie Group Limited.

Key management personnel

The following persons held office as directors of MIML during the year or since the end of the year and up to the date of this report:

B N Terry
N Roderick (resigned 29/03/2010)
R Cartwright
V Malley
C Vignes
M Rady (resigned 01/02/2010)
C Swanger (appointed 08/02/2010)
T Graham (appointed 29/03/2010)

No amount is paid by the Trust directly to the directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Scheme to the directors as key management personnel.

Key management personnel unitholdings

At 30 June 2010 no key management personnel held units in the Trust (2009: Nil).

11 Related party transactions (continued)

Key management personnel loan disclosures

The Trust 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.

Responsible Entity's fees and other transactions

For the year ended 30 June 2010, in accordance with the Trust Constitution, the Responsible Entity received a total fee of 0.62% of net asset value (inclusive of GST, net of RITC available to the Trust) per annum (2009: 0.62%).

All expenses in connection with the preparation of accounting records and the maintenance of the unit register have been fully borne by the Responsible Entity.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the consolidated entity and the Responsible Entity were as follows:

	Consolidated		Parent	
	30 June 2010 $	30 June 2009 $	**30 June 2010 $**	30 June 2009 $
Management fees for the year paid by the Trust to the Responsible Entity	**1,642,529**	1,579,000	**1,571,734**	1,566,000
Fees earned by the Responsible Entity in respect of investments by the Trust in other schemes managed by the Responsible Entity*	**-**	-	**612,694**	91,000
Aggregate amounts payable to the Responsible Entity at the reporting date	**301,176**	343,000	**301,176**	325,000

* Where the Trust invests into other schemes managed by the Responsible Entity, the Responsible Entity's fee is calculated after rebating fees charged in the underlying schemes.

Related party schemes' unitholdings

Parties related to the Trust (including MIML, its related parties and other schemes managed by MIML), held units in the Trust as follows:

30 June 2010 — **Parent**

Unitholder	**Number of units held opening** (Units)	**Number of units held closing** (Units)	**Interest held** (%)	**Number of units acquired** (Units)	**Number of units disposed** (Units)	**Distributions paid/payable by the Trust** ($)
Macquarie Active Plus Equity Fund	239,531,035	148,189,487	77.52	11,952,090	103,293,638	7,843,989
Macquarie Master Alpha Plus Fund	11,410,337	11,650,100	6.09	1,715,613	1,475,850	468,022

11 Related party transactions (continued)

30 June 2009	Parent					
Unitholder	**Number of units held opening** (Units)	**Number of units held closing** (Units)	**Interest held** (%)	**Number of units acquired** (Units)	**Number of units disposed** (Units)	**Distributions paid/payable by the Trust** ($)
Macquarie Active Plus Equity Fund	227,414,000	239,531,035	84.93	45,638,000	33,521,000	7,761,000
Macquarie Master Alpha Plus Fund	10,876,000	11,410,337	4.05	2,061,000	1,527,000	368,000

Investments

The Trust held investments in the following trusts which are also managed by MIML or its related parties:

	Parent					
	Fair value of investment		**Interest held**		**Distributions received/receivable**	
	2010 $	2009 $	**2010** %	2009 %	**2010** $	2009 $
Macquarie High Conviction Fund	**30,152,345**	25,821,000	**31.18**	86.00	**475,691**	139,000

The Trust held investments in the following listed equities which are also managed by MIML or its related parties during the year.

	30 June 2010 No.	30 June 2009 No.	**30 June 2010 $**	30 June 2009 $
Macquarie Group Limited	**67,507**	105,000	**2,505,860**	4,101,000
Macquarie Airports	-	441,000	-	1,002,000
Macquarie Infrastructure Group	-	1,127,000	-	1,607,000

Other transactions within the Trust

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

The bank accounts for the Trust are held with Macquarie Bank Limited. The Trust may use Macquarie Securities Limited and Macquarie Futures Limited, Macquarie Group entities, for broking and clearing services respectively. Fees and expenses are negotiated on an arm's length basis for all transactions with related parties.

Bond Street Custodians Limited, a wholly owned subsidiary of Macquarie Group Limited, is the custodian of the Trust.

12 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Consolidated		Parent	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities				
Profit/(loss) for the year	**-**	-	**-**	-
Increase/(decrease) in net assets attributable to unitholders	**35,886**	(73,884)	**35,135**	(74,777)
Dividends and distributions reinvested	**(295)**	(3,160)	**(770)**	(3,297)
Net (gains)/losses on financial instruments held at fair value through profit or loss	**(37,451)**	77,211	**(36,540)**	77,817
Proceeds from sale of financial instruments held at fair value through profit or loss	**259,073**	176,589	**238,918**	159,196
Purchase of financial instruments held at fair value through profit or loss	**(156,418)**	(161,741)	**(136,563)**	(165,817)
Distributions to unitholders	**9,605**	9,186	**9,530**	9,163
Rebates reinvested	**(609)**	(39)	**(609)**	(39)
Increase in consolidated cash balance on gaining control of subsidiary	**-**	2,298	**-**	-
Net change in receivables and other assets	**383**	1,065	**416**	932
Net change in payables and other liabilities	**102**	(310)	**(26)**	(146)
Decrease in consolidated cash balance on loss of control of subsidiary	**(72,331)**	-	**-**	-
Net cash inflow from operating activities	**37,945**	27,215	**109,491**	3,032
(b) Non-cash financing and investing activities				
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**9,530**	9,184	9,530	9,163

As described in note 2(k), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

13 Events occurring after the balance sheet date

No significant events have occurred since balance date which would impact on the financial position of the Trust disclosed in the statements of financial position as at 30 June 2010 or on the results and cash flows of the Trust for the year ended on that date.

14 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2010 and 30 June 2009.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 25 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 Trust's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Trust 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.

R Cartwright
Director

Sydney
22 September 2010

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Independent auditor's report to the unitholders of Macquarie Alpha Plus Fund

We have audited the accompanying financial report of Macquarie Alpha Plus Fund, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, Macquarie Investment Management Limited, are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

Independence

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

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Macquarie Alpha Plus Fund is in accordance with the Corporations Act 2001, including:

    i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Sydney
22 September 2010