

29 August 2007

The Manager
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Allco Hybrid Investment Trust – Preliminary Final Report (Appendix 4E) for the year ended 30 June 2007

The directors of Allco Managed Investment Funds Limited (**AMIFL**), the responsible entity of Allco Hybrid Investment Trust (**HIT**), are pleased to announce the audited results of HIT for the year ended 30 June 2007. This report covers the period from 1 July 2006 to 30 June 2007 (the previous period being 27 July 2005 to 30 June 2006).

Results for announcement to the market

Financial Results	Year ended 30 June (\$)		% change
	2006	2007	
Revenue from ordinary activities	72,686,708	41,485,880	(42.9%)
Profit/(loss) from ordinary activities after tax attributable to unitholders	21,788,316	(315,035)	(101.5%)
Net profit/(loss) for the period attributable to unitholders	21,788,316	(315,035)	(101.5%)

The financial results have been adversely impacted by the upside sharing arrangement with Allco Principles Trust (**APT**). This arrangement resulted in an unrealised charge against earnings of \$4.7 million (2006: unrealised profit of \$22.4 million), given that the main driver of the performance of APT is the share price of Allco Finance Group Limited, which fell from \$12.35 to \$10.60 during the 2007 financial year.

Distributions for the year ended 30 June 2007

No interim or final distributions have or will be made by HIT in respect of the year ended 30 June 2007.

Net tangible assets per security

Description	30 June 2007 \$ per security	30 June 2006 \$ per security
Net tangible assets per security	\$1.64	\$1.66

All other information requiring disclosure to comply with Australian Securities Exchange (**ASX**) Listing Rule 4.3A is contained in HIT's announcement to the market and in the accompanying audited financial statements of HIT, which have been released to the ASX today.

HIT is a wholly owned subsidiary of Allco HIT Limited, which released an announcement to the ASX on 20 August 2007 disclosing its annual financial results for the year ended 30 June 2007.

Yours faithfully,
Allco Managed Investment Funds Limited
as the responsible entity for Allco Hybrid Investment Trust

A handwritten signature in dark ink, appearing to read 'T. Lennox', with a stylized, cursive script.

Tom Lennox
Company Secretary

Contact details:
Alexandra Ballard
Investor Relations Manager
Allco Finance Group
Tel: (+61 2) 9255 4100

Allco Hybrid Investment Trust
ARSN: 109 102 070

2007 Annual Report

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Directors' report

The directors of Allco Managed Investment Funds Limited (ABN 47 117 400 987) ("Responsible Entity"), the responsible entity of Allco Hybrid Investment Trust ("Scheme") present their report, together with the financial report of the Scheme, for the year ended 30 June 2007 and the auditor's report thereon.

Scheme information

The Scheme was constituted on 14 May 2004 and was registered with the Australian Securities & Investments Commission on 28 May 2004. The Responsible Entity is incorporated and domiciled in Australia with its registered office located at Level 24 Gateway, 1 Macquarie Place, Sydney, NSW 2000. The Responsible Entity is a subsidiary of Allco Finance Group Limited ("AFG").

The underlying fundamentals of the Scheme are consistent with those set out in the prospectus dated 5 July 2004.

Directors

The following persons were directors of the Responsible Entity during the whole of the financial year and up to the date of this report:

R J Alcock (Independent)
M P C Brogan (Independent)
M J Stefanovski

The following persons were directors of the Responsible Entity from the beginning of the financial year until their resignation:

R C Mansfield (resigned 1 July 2006)
C J West (resigned 25 October 2006)

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The Scheme is an investor in unlisted trusts domiciled in Australia. There has been no change in the nature of the Scheme's activities during the financial year.

The Scheme did not have any employees during the financial year.

Review of operations

Results

The net loss of the Scheme as presented in the income statement for the year ended 30 June 2007 was \$315,034 (net profit 2006: \$21,788,616).

Distributions

No distributions have been declared for the year ended 30 June 2007 (2006: nil).

Significant changes in the state of affairs

Group formation

On 11 December 2006, the Responsible Entity announced a proposal to restructure and expand the Scheme into a listed finance company. The prospectus relating to the proposed restructure was issued on 15 December 2006.

On 15 January 2007, unitholders of the Scheme had their units swapped for shares in Allco HIT Limited ("AHL"). During this process, 11,320,715 units were swapped, with one share being issued for each unit transferred. AHL was listed on the Australian Stock Exchange on 16 February 2007.

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In the opinion of the directors of the Responsible Entity, there were no other significant changes in the state of the affairs of the Scheme that occurred during the financial year.

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

Fees paid to the Responsible Entity and its associates out of Scheme property during the financial year are disclosed in Note 15 of the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 15 of the financial statements.

Interests in the Scheme

The movements in units on issue in the Scheme during the financial year are as set out below:

	30 June 2007 No. '000	30 June 2006 No. '000
Units on issue at the start of the year	11,321	11,300
Units issued during the year under distribution reinvestment scheme	-	21
Units on issue at the end of the year	<u>11,321</u>	<u>11,321</u>

Value of assets

	2007 \$'000	2006 \$'000
Value of assets		
Value of Scheme assets at 30 June	428,958	414,951

The basis for the valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

Likely developments

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

Events occurring after the balance sheet date

The amount due to the Scheme under the upside sharing arrangement with Allco Principals Trust ("APT") has been impacted by the volatility in global financial markets subsequent to the year end. APT has a significant shareholding in AFG and therefore the upside sharing arrangement can be materially impacted by movements in the AFG share price. The AFG share price has experienced considerable price volatility subsequent to the year end and this has had an impact on the net profits of APT. The directors have reassessed the impact of the post year end financial markets volatility on the recoverability of the Scheme's preference units with APT and are of the opinion that they are not impaired.

The directors have also considered the impact on the net asset position of the Scheme. As an approximate guide¹ each \$1 decrease in the AFG share price results in an additional \$8m unrealised loss being incurred by HIT from the profit share arrangement with APT – of which, \$1.6m flows to PoD hybrid holders - or approximately \$0.64 per hybrid. Refer note 1(f) and note 1(o) for further details. Although significant volatility can arise the

¹ This guide is meant to provide an illustrative description of the relationship between share price and profitability. The relationship between share price, profitability and the profit participation of HIT and holders of the PoD hybrids is subject to the performance of APT's other investments, APT's costs and other factors which influence the net profitability that is realised by APT. APT currently holds 45.8m shares in AFG and 23.2m shares in Allco HIT Ltd (AHL).

arrangement can never result in a realised loss for the Scheme on maturity, and any unrealised loss therefore relates to a reversal of unrealised profits which have been recognised in prior periods.

The directors are not aware of any other matter or circumstance that has occurred since balance sheet date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2007 or on the results and cash flows of the Scheme for the year ended on that date.

Environmental regulation

The Scheme's operations are not subject to any particular or significant environmental regulations under any Commonwealth, State or Territory legislation.

Indemnification and insurance premiums

Under the Scheme's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

During the financial year the Responsible Entity paid a premium of \$27,751 to insure relevant directors and officers. The Scheme has not indemnified any auditor of the Scheme.

No insurance premiums are paid out of the Scheme's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or the auditors of the Scheme.

Rounding

The Scheme is a registered managed investment scheme of the kind referred to in Class Order 98/0100 (as amended) dated 10 July 1998 and in accordance with that Class Order, amounts in the directors' report and financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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



RJ Alcock
Chairman

Sydney
29 August 2007

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Auditor's Independence Declaration

As lead auditor for the audit of Allco Hybrid Investment Trust for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Allco Hybrid Investment Trust during the period.



Mark Haberlin

Partner

PricewaterhouseCoopers

Sydney

29 August 2007

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Income statements
For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<hr/>			
Investment income			
Interest income	2	41,486	72,687
Net realised gain on assets held for sale		-	72
Net realised foreign exchange gain on assets held to maturity		-	15
<hr/>			
Total income		41,486	72,774
<hr/>			
Expenses			
Responsible entity's fees	15	4,143	6,057
Auditor's remuneration	3	85	118
Financing costs	4	37,213	43,605
Other operating expenses	5	360	1,205
<hr/>			
Total expenses		41,801	50,985
<hr/>			
Net (loss) / profit for the year attributable to unitholders of the Scheme		(315)	21,789
<hr/>			

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

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Balance sheets
As at 30 June 2007

	Notes	30 June 2007 \$'000	30 June 2006 \$'000
Assets			
Cash and cash equivalents	6	14,160	1,205
Receivables	7	308	232
Loans assets held at amortised costs	8	414,489	413,513
Derivative financial instruments	9	1	1
Total assets		428,958	414,951
Liabilities			
Trade and other payables	10	11,461	152
Interest bearing loans and borrowings	11	398,976	395,963
Total liabilities		410,437	396,115
Net assets		18,521	18,836
Equity			
Issued capital	12(a)	602	602
Undistributed income	13	17,919	18,234
Equity		18,521	18,836

The above balance sheets should be read in conjunction with the accompanying notes.

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Statements of changes in equity
For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Total equity at the beginning of the year		18,836	503
Adjustments on adoption of AASB 132 and AASB 139, net of tax:			
Retained earnings		-	(3,555)
Restated total equity at the beginning of the year		18,836	(3,052)
(Loss) / profit for the year		(315)	21,789
Total recognised income and expense for the year		18,521	18,737
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	12(b)	-	99
Total equity at the end of the year		18,521	18,836
Total recognised income and expense for the year is attributable to:			
Members of Allco Hybrid Investment Trust		18,521	18,737
		18,521	18,737

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

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Cash flow statements
For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<hr/>			
Cash flows from operating activities			
Interest received		2,974	6,106
Other income received		1,059	568
Responsible entity's fees paid		(4,445)	(6,500)
Payment of other expenses		(514)	(1,371)
Net cash inflow/(outflow) from operating activities	16(a)	<hr/> (926) <hr/>	<hr/> (1,197) <hr/>
 Cash flows from investing activities			
Payments for loan assets held at amortised cost		(332)	(41,042)
Proceeds from repayment of loan assets held at amortised cost		37,163	58,698
Net cash inflow/(outflow) from investing activities		<hr/> 36,831 <hr/>	<hr/> 17,656 <hr/>
 Cash flows from financing activities			
Repayment of borrowings		(22,950)	(34,200)
Distributions paid		-	(3,242)
Net cash inflow/(outflow) from financing activities		<hr/> (22,950) <hr/>	<hr/> (37,442) <hr/>
Net increase/(decrease) in cash and cash equivalents		12,955	(20,983)
Cash and cash equivalents at 1 July		1,205	22,188
Cash and cash equivalents at 30 June		<hr/> 14,160 <hr/>	<hr/> 1,205 <hr/>

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

Notes to the Financial Statements

1. Summary of significant accounting policies

Allco Managed Investment Funds Limited ("the Responsible Entity") is the responsible entity for Allco Hybrid Investment Trust ("the Scheme"). This general purpose financial report for the year ended 30 June 2007 comprises the Scheme as an individual entity. The Scheme was constituted on 14 May 2004. The principal accounting policies adopted in the preparation of this financial report are set out below, and have been consistently applied to all periods presented, unless otherwise stated.

The Scheme is a registered managed investment scheme under the Corporations Act 2001.

The financial report was authorised for issue by the directors of the Responsible Entity on 31 August 2007.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB"), Urgent Issues Group Interpretation and the *Corporations Act 2001*. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Scheme comply with IFRS and the interpretations adopted by the International Accounting Standards Board. The Scheme's financial report does comply with IFRS.

(b) Basis of preparation

The financial report is prepared on the historical cost basis with the exception of financial instruments classified as available-for-sale, derivative financial instruments and financial assets at fair value through profit and loss which are stated at their fair value.

The Scheme is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/21 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless stated otherwise.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(c) Functional and Presentation Currency

The financial statements are presented in Australian dollars unless otherwise stated, which is the Scheme's functional and presentation currency.

(d) Group formation

On 11 December 2006 Allco Managed Investment Funds Limited ("AMIFL"), as the responsible entity for the Scheme, announced a proposal to restructure and expand the Scheme into a listed finance company. The prospectus relating to the proposed restructure was issued on 15 December 2006.

On 15 January 2007 unitholders of the Scheme had their units exchanged for shares in Allco HIT Limited ("AHL"). During this process 11,320,715 units were exchanged, with one share being issued for each unit transferred.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(d) Group formation (continued)

On 15 February 2007 the AHL shares were issued to the market and on 16 February 2007 these shares began trading on the ASX.

(e) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items outstanding at reporting date are translated at the foreign exchange rate prevailing at the date.

Foreign exchange gains and losses arising on a translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rates prevailing at the dates the fair value was determined.

(f) Investment Income

Interest income

Interest income is recognised on a time proportionate basis, using the effective interest method. Interest not received at balance date is reflected in the balance sheet as part of Loan assets held at amortised cost. Interest income also includes the following:

- Upside Sharing Arrangement Income

The Scheme is entitled under the terms of the Allco Principals Trust Preference Unit's to 25% of any Net Profits of Allco Principals Trust at maturity or conversion of the Preference Units. The upside sharing arrangement is payable on conversion of the Allco Principals Trust Preference Units which may occur on the reset date, 30 June 2008, at maturity 31 December 2010 or on Initial Public Offer of units in Allco Principals Trust.

The Scheme has measured its estimate of the contractual cashflows under the upside sharing arrangement based on its actual share of the profits of Allco Principals Trust at the end of the year. This has been discounted from the reset date using the original effective interest rate on the preference units.

APT has a significant shareholding in Allco Finance Group Limited (AFG) and therefore the upside sharing arrangement receivable is significantly affected by movements in the AFG share price. As the AFG share price is volatile, the upside sharing arrangement receivable may change significantly from year to year.

- Reset of Alleasing Hybrids

The Scheme has elected to extend the term of the Alleasing Hybrids for a period of two years from the reset date being 17 August 2007 until the Maturity Date being 17 August 2009.

Distributions under the Alleasing Hybrids after the reset date have been set at the prevailing 2 year bank bill swap rate on the reset date, plus a margin of 3.5% per annum based upon the Face Value of the Alleasing Hybrids (i.e. \$100 each) as described in the Prospectus.

The return payable following the reset date will be interest on the Alleasing Hybrids and will be income to the holders of the Alleasing Hybrids.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(f) Investment Income (continued)

Interest income (continued)

- Establishment Fee Income

Establishment fees charged on lending transactions are set off against the loan assets held at amortised cost and recognised using the effective interest method i.e. Alleasing Preference Units: three years over the period to reset, redemption or conversion, whichever occurs first, and Allco Principals Trust Preference Units: three and half years over the period to reset or conversion, whichever occurs first.

An establishment fee was received by the Scheme on the investment in Alleasing preference units of \$908,000 in 2005, with \$302,667 being recognised in the income statement during the year ended 30 June 2007. An establishment fee was received by the Scheme on the investment in Allco Principals Trust preference units of \$1,698,681 in 2005, with \$485,528 being recognised in the income statement during the year ended 30 June 2007.

(g) Expenses

- Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method and distributions paid on preference units classified as liabilities.

- Responsible entity fees

In accordance with the provisions of the Scheme constitution, the Responsible Entity is entitled to payment of a management fee. The management fee payable is calculated on the total assets of the Scheme at 1.5% per annum. From 1 March 2007, the management fee for the trust was calculated at 0.1% per annum of the hybrid assets. This change was a result of the corporatisation of Allco HIT Limited. Responsible entity fees are recognised in the income statement on an accrual basis.

(h) Taxation

Under current legislation, the Scheme is not liable for income tax provided unitholders are presently entitled to all of its net income.

(i) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to, the Australian Taxation Office (ATO) is recognised as a receivable or creditor, as appropriate.

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

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions, and other investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(k) Investments and other financial assets

Loan assets held at amortised cost and receivables

Loan assets held at amortised cost and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Scheme provides money, goods or services directly to a debtor with no intention of selling the receivable.

Purchases and sales of investments are recognised on trade-date, being the date on which the Scheme commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

The Scheme assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Scheme is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Scheme uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Scheme for similar financial instruments.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Scheme prior to the end of the year, which remain outstanding at balance date. Trade and other payables are stated at cost, are unsecured, and are normally settled on 30 days terms.

(n) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in the fair value of any derivative instrument are recognised immediately in the income statement.

(o) Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs, which include legal and advisory fees, bank charges and any other ancillary borrowing costs. Fair value is calculated based on discounted expected future principal and interest cash flows. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis, i.e.

- Alleasing Hybrids – 10.22% over three years, and
- PoD Hybrids – 9.44% over three and a half years.

Upside Sharing Arrangement Expense

Under the terms of the PoD Hybrids, 20% of the upside sharing arrangement receivable under the Allco Principals Trust Preference Units is payable to the PoD Hybrid holders on conversion of the PoD Hybrids which may occur on conversion of the Allco Principals Trust preference units. These conversions may occur on the reset date 30 June 2008, at maturity 31 December 2010 or on Initial Public Offer of units in Allco Principals Trust.

The Scheme has measured its estimate of contractual cashflows under the upside sharing arrangement expense based on 20% of the upside sharing arrangement income as calculated in accordance with Note 1(f).

(p) Undistributed income

Undistributed income may consist of accrued income not yet assessable, expenses provided or accrued which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of investments (including any adjustments for tax deferred income previously taken directly to undistributed income and accrued income not yet assessable) will be included in the determination of distributable income in the same financial year in which it becomes assessable for tax.

(q) Distributions

In accordance with the Scheme Constitution, the Scheme fully distributes its distributable income to unitholders by cash or reinvestment. For the year ended 30 June 2007 no distributions were paid or payable.

(r) Segment Reporting

The Scheme operates in a single business segment investing predominantly in unlisted trusts domiciled in Australia. Consequently, no segment reporting is provided in the Scheme's financial statements.

(s) Rounding

The Scheme is a registered managed investment scheme of the kind referred to in Class Order 98/0100 (as amended) dated 10 July 1998 and in accordance with that Class Order, amounts in the directors' report and financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The following standards and amendments are available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 101 *Presentation of Financial Statements* (effective from 1 July 2007). The impacts of the revised AASB101 are to eliminate much of the Australian content, including the Australian illustrative formats of income statement, balance sheet and statement of equity which entities were previously “encouraged” to adopt in preparing their financial statements. In addition to this, the standard introduces disclosures about the level of an entity’s capital and how it manages capital.
- AASB 7 *Financial Instruments: Disclosures* (effective 1 July 2007). AASB7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit, liquidity and market risk, including sensitivity analysis to market risk. The Company and Consolidated Entity expect that the main additional disclosures will be the sensitivity analysis and the capital disclosures.
- AASB 8 *Operating Segments* (effective from 1 July 2009). This standard will require the entity to adopt the “management approach” to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures to that used in preparing the income statement and balance sheet, in which case reconciliations of certain items will be required.
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED151 and Other Amendments (effective 1 July 2007) was made recently to introduce accounting policy choices allowed under IFRS that were not previously incorporated by the AASB, and to remove many Australian-specific disclosures.

The Scheme plans to adopt AASB 7 and AASB 2005-10 from 1 July 2007 and will not early adopt during the current reporting period as previously disclosed in the financial report at 30 June 2006. This is a result of aligning Group accounting policies following the merger.

(u) Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Scheme makes estimates and assumptions concerning the future particularly with regard to credit risk, refer to note 14(a). Refer also to note 1(f) for estimates applied in calculating the upside sharing arrangement income and Note 1(o) for the related expense. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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Notes to the Financial Statements

2. Interest income

	2007			2006		
	Average	Interest	Average	Average	Interest	Average
	Balance		Rate %	Balance		Rate %
	\$'000	\$'000	%	\$'000	\$'000	%
Fixed interest securities						
Related Party						
Notes issued by Alleasing Finance Limited	15,880	1,181	7.98	15,753	1,137	7.60
Other	2,498	93	5.56	6,075	422	5.01
Loans and receivables						
Related party						
Alleasing Finance Limited	17,923	1,274	7.27	28,382	1,849	6.69
Allco Principals Trust	18,124	1,762	9.00	37,764	2,981	8.65
International Mezzanine Fund Management	118	10	10.00	-	-	-
Aircraft Holdings Trust	-	-	-	396	63	6.75
Other	-	-	-	1,338	108	6.32
Unlisted unit trusts						
Related party						
Alleasing Trust preference units	126,021	17,327	13.59	110,009	15,164	13.59
Allco Principals Trust preference units	215,995	25,738	11.75	192,048	22,938	11.75
Upside sharing arrangement income	-	(5,899)	-	-	28,025	-
Other				-	-	-
		<u>41,486</u>			<u>72,687</u>	

3. Auditor's remuneration

	2007	2006
	\$	\$
During the year the following fees were paid or payable for services provided by the auditor of the Scheme.		
(a) Assurance services		
<i>Audit services</i>	96,420	84,380
PricewaterhouseCoopers Australian firm		
(b) Taxation services		
PricewaterhouseCoopers Australian firm ¹	(11,425)	33,265
Total remuneration for assurance and taxation services	<u>84,995</u>	<u>117,645</u>

¹ The fee for taxation services will be paid by the parent, Allco HIT Limited, as the services provided were in relation to the group as a whole and it is not possible to make an appropriate allocation to the Scheme.

Allco Hybrid Investment Trust
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Notes to the Financial Statements

4. Financing Costs

	2007 \$'000	2006 \$'000
Alleasing Hybrids	14,064	13,835
PoD Hybrids		
- financing costs	24,329	24,165
- upside sharing arrangement expense (refer note 1(f))	(1,180)	5,605
	37,213	43,605

Refer to Note 11 for the terms of the Alleasing Hybrids and PoD Hybrids.

5. Other operating expenses

	2007 \$'000	2006 \$'000
Insurance	-	101
Registry Maintenance and Other Fees	331	465
Arrangement fees – related party	-	553
Bank Fees	5	7
Administration	24	79
	360	1,205

6. Cash and cash equivalents

	30 June 2007 \$'000	30 June 2006 \$'000
Cash at bank – Operational account	2,378	469
Cash at bank – PoD Hybrid Distribution account	11,250	-
Deposits at call	532	736
	14,160	1,205

The Scheme has not entered into any facilities with financial institutions

7. Receivables

	30 June 2007 \$'000	30 June \$'000
Receivable		
Other	308	232
	308	232

Notes to the Financial Statements

8. Loan assets held at amortised cost

	30 June 2007	30 June 2006
	\$'000	\$'000
<i>Fixed interest securities</i>		
<i>Related party</i>		
Notes issued by Alleasing Finance Limited ¹	16,445	15,264
<i>Loans and receivables</i>		
<i>Related party</i>		
Alleasing Finance Limited ²	14,452	25,178
Allco Principals Trust	-	26,888
International Mezzanine Fund Management (Australia) Pty Ltd	244	-
<i>Unlisted unit trusts</i>		
<i>Related party</i>		
Alleasing Trust preference units ³	133,982	116,958
Alleasing Trust preference units	(39)	(342)
less: deferred finance costs	133,943	116,616
Allco Principals Trust preference units ⁴	227,766	202,514
Allco Principals Trust preference units	(487)	(972)
less: deferred finance costs	22,126	28,025
plus: upside sharing arrangement ⁵	249,405	229,567
	414,489	413,513

- ¹ The Scheme has acquired three tranches of debentures for a total of \$14,000,000 from Alleasing Finance Limited. The tenure of these debentures range from 1 to 3 years, with corresponding interest rates from 7.50% pa to 8.50% pa., payable at maturity. At maturity the debentures are redeemable or can be reinvested if a reinvestment opportunity is available. The accrued interest on these debentures is \$2,445,118.
- ² The Scheme has a loan receivable from Alleasing Finance Limited for \$14,452,251. This loan matures in June 2008 at which time it will be repaid in full or convert into debentures issued by the borrower. Interest is calculated at 1.05% above BBSW and paid semi-annually.
- ³ The Scheme acquired 130,000,000 preference units from Alleasing Trust for \$90,800,000 in August 2004. The balance of funds raised is held in Approved Investments. The value of each preference unit will grow at 15.59% pa compounding monthly from the issue price to \$1.05 per preference unit by the reset date in August 2007. Please refer to Note 14.
- ⁴ The Scheme acquired 256,250,000 preference units from Allco Principals Trust for \$169,868,125 in December 2004. The balance of the funds raised is held in Approved Investments and Cash. The value of each preference unit increases at 11.75% pa compounding monthly to reach \$1.00 per preference unit by the reset date in June 2008. Please refer to Note 14.
- ⁵ The Scheme has measured its estimate of the contractual cashflows under the upside sharing arrangement based on its actual share of the profits of Allco Principals Trust at the end of the year. This has been discounted from the reset date using the original effective interest rate on the preference units.

	Gross	Present value adjustment	Recognised in balance sheet
	\$'000	\$'000	\$'000
Upside sharing agreement receivable (refer note 2)	35,000	(12,874)	22,126
Upside sharing agreement payable (refer note 4)	(7,000)	2,575	(4,425)
Net upside sharing agreement	28,000	(10,299)	17,701

Notes to the Financial Statements

9. Derivative financial instruments

A derivative is a financial instrument whose value depends on, or is derived from the value of underlying assets, liabilities or indices.

The Scheme currently holds one derivative financial instrument in the form of an option. The Scheme has been issued with a 1 for 8 Option in Alleasing Trust. The issue price paid by the Scheme for the 1 for 8 Option is \$1,000 being the market value at the time of issue. The 1 for 8 Option may be exercised in whole or in part on six semi-annual dates from the date Alleasing Equity Units begin trading on ASX.

The 1 for 8 Option entitles the Scheme to 16,250,000 Alleasing Equity Units at an exercise price of \$1.00 per Alleasing Equity Unit, assuming a \$1.00 Alleasing IPO Price.

10. Trade and other payables

	30 June 2007 \$'000	30 June 2006 \$'000
Insurance expense	-	23
Audit fees	47	49
Corporate affairs expenses	82	65
PoD Hybrid Distribution	11,250	-
Other	82	15
	11,461	152

11. Interest bearing loans and borrowings

Interest bearing liabilities consist of Alleasing and PoD Hybrid interest bearing liabilities. In both cases these interest bearing liabilities pay interest of 9.00% on the initial recorded cost, semi-annually, until the reset date.

Alleasing Hybrids have accrued a 5.00% uplift, i.e. total face value has increased from \$130m to \$136.5m from issue date to the reset date of 17 August 2007. At the reset date, the Scheme exercised its right to reset the distribution rate for a further period of two years to the maturity date, which is five years from date of initial issue, i.e. 17 August 2009.

Commencing from the reset date, the Alleasing Hybrids pay 3.50% per annum above the 2-year bank bill swap rate, until maturity on 17 August 2009.

At maturity, the Alleasing Hybrids must be redeemed by the Scheme or converted into Alleasing Equity Units. Conversion into Alleasing Equity Units can only occur if Alleasing Equity Units are listed.

PoD Hybrids also accrue a 2.50% uplift, i.e. face value per unit increases from \$100.00 to \$102.50 from the date of issue until the reset date, which is three and a half years after date of issue, i.e. 30 June 2008. At the reset date PoD Hybrids may be converted into conversion securities, or the distribution rate may be reset for a further period of 2.5 years until maturity, which is six years from date of initial issue, i.e. 31 December 2010. Refer also to Note 1(f) for details of the upside sharing arrangement expense.

If reset of the distribution rate occurs on the reset date (30 June 2008), the PoD Hybrids will pay 5.00% pa above the then prevailing 2.5-year bank bill swap rate, until their maturity on 31 December 2010.

At maturity the Scheme must convert the PoD Hybrids.

Notes to the Financial Statements

11. Interest bearing loans and borrowings (continued)

	30 June 2007			30 June 2006		
	\$'000			\$'000		
	Alleasing	PoD	TOTAL	Alleasing	PoD	TOTAL
	Hybrids	Hybrids		Hybrids	Hybrids	
Opening balance pre AIFRS	-	-	-	136,117	250,798	386,915
Less adjustment for AIFRS	-	-	-	(237)	(120)	(357)
Opening balance post AIFRS	138,015	257,948	395,963	135,880	250,678	386,558
Hybrids issued	-	-	-	-	-	-
Accrued interest	14,064	24,329	38,393	13,835	24,165	38,000
Upside Sharing Arrangement		(1,180)	(1,180)	-	5,605	5,605
Capital distribution paid	(11,700)	(22,500)	(34,200)	(11,700)	(22,500)	(34,200)
Closing balance	140,379	258,597	398,976	138,015	257,948	395,963

The Scheme has measured its estimate of the contractual cashflows under the upside sharing arrangement based on its actual share of the profits of Allco Principals Trust at the end of the year. This has been discounted from the reset date using the original effective interest rate on the preference units.

12. Issued capital

(a)	2007	2006	30 June 2007	30 June 2006
	Units	Units	\$'000	\$'000
Issued Units	11,321	11,321	602	602

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

(b)	Number of units '000	Issue Price	\$'000
<u>Movement in number of units and equity</u>			
Opening balance 1 July 2005	11,300	-	503
Distribution to unitholders	-	-	-
Dividend reinvestment plan issues	21	4.7292	99
Balance at 30 June 2006	11,321		602
Net movement in units for the year ended 30 June 2006			99

<u>Movement in number of units and equity</u>			
Opening balance 1 July 2006	11,321	-	602
Distribution to unitholders	-	-	-
Dividend reinvestment plan issues	-	-	-
Balance at 30 June 2007	11,321		602
Net movement in units for the year ended 30 June 2007			-

Notes to the Financial Statements

13. Undistributed income reconciliation

	30 June 2007	30 June 2006
	\$'000	\$'000
Balance at the beginning of the year/period	18,234	-
Adjustments for AIFRS	-	(3,555)
Net (loss)/profit for the year	(315)	21,789
Balance at the end of the year/period	17,919	18,234

14. Financial Risk Management

(a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Scheme does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to, or better than, the Scheme. Transactions involving derivative financial instruments are with counterparties with whom the Scheme has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

(b) Foreign exchange risk

There is no significant direct foreign exchange risk in this Scheme at 30 June 2007.

Notes to the Financial Statements

14. Financial Risk Management (continued)

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Scheme's exposure to interest rate risk and the weighted average effective interest rate (for each class of financial asset and financial liability, and each maturity period including floating rate financial assets and liabilities) is set out in the table below:

30 June 2007	Weighted average interest effective rate (% pa)	Fixed interest maturing in or repriced at:					Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	
Assets							
Cash assets	5.56	14,160	-	-	-	-	14,160
Fixed interest securities	7.98	-	3,054	13,391	-	-	16,445
Loans and receivables	8.15	-	14,697	-	-	-	14,697
Unlisted unit trusts	12.43	-	-	361,222	-	-	361,222
Debtors	-	-	-	-	-	308	308
Other	-	-	-	-	-	22,126	22,126
Total assets		14,160	17,751	374,613	-	22,434	428,958
Liabilities							
Payables	-	-	-	-	-	11,461	11,461
Interest bearing liabilities	9.72	-	34,200	364,776	-	-	398,976
Total liabilities		-	34,200	364,776	-	11,461	410,437
Net assets attributable to unitholders		14,160	(16,449)	9,837	-	10,973	18,521

30 June 2006	Weighted average interest effective rate (% pa)	Fixed interest maturing in or repriced at:					Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	
Assets							
Cash assets	5.01	1,205	-	-	-	-	1,205
Fixed interest securities	7.60	-	9,717	5,548	-	-	15,265
Loans and receivables	7.75	-	26,888	25,178	-	-	52,066
Unlisted unit trusts	12.42	-	-	318,159	-	-	318,159
Debtors	-	-	-	-	-	231	231
Other	-	-	-	-	-	28,025	28,025
Total assets		1,205	36,605	348,885	-	28,256	414,951
Liabilities							
Payables	-	-	-	-	-	152	152
Interest bearing liabilities	9.72	-	34,200	361,763	-	-	395,963
Total liabilities		-	34,200	361,763	-	152	396,115
Net assets attributable to unitholders		1,205	2,405	(12,878)	-	28,104	18,836

Notes to the Financial Statements

14. Financial Risk Management (continued)

(d) Market price risk

Market risk is the risk that the value of the Scheme's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

(e) Liquidity and cash flow

Liquidity risk is the risk that the Scheme will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

(f) Net fair values of financial assets and financial liabilities

The net fair value of financial assets and financial liabilities and derivative financial instruments included in the Balance Sheet approximate their carrying amounts.

15. Related party transactions

Parent entity

Allco HIT Limited ("AHL") is the parent entity of the Scheme.

Responsible entity

The responsible entity of the Scheme is Allco Managed Investment Funds Limited ("AMIFL"), a wholly owned subsidiary of Allco Funds Management Limited.

Key management personnel of Allco Managed Investment Funds Limited

(a) Directors

Key management personnel include persons who were directors of Allco Managed Investment Funds Limited at any time during the financial year as follows:

R J Alcock
M P C Brogan
M J Stefanovski
R C Mansfield (Resigned 1 July 2006)
C J West (Resigned 25 October 2006)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the financial year.

Notes to the Financial Statements

15. Related party transactions (continued)

Responsible entity fees and other transactions

For the period ended 28 February 2007, in accordance with the Constitution, the responsible entity received a total fee of 1.5% (exclusive of GST, net of Reduced Input Tax Credit (RITC) available to the Scheme) per annum (2006: 1.5%) of the gross assets of the Scheme.

From 1st March 2007, the management fee for the Scheme was calculated at 0.1% per annum of the Hybrid Assets. This change was a result of the corporatisation of Allco HIT Limited

In addition to the responsible entity's fees, the responsible entity is entitled to be reimbursed out of the Scheme for costs including expenses in connection with the keeping and preparation of accounting records and the maintenance of the register.

For the year ended 30 June 2007, all expenses in connection with the preparation of the accounting records and the maintenance of the register have been fully borne by the responsible entity.

All related party transactions are conducted on normal commercial terms and conditions. Transactions between the Scheme and other entities associated with the Responsible Entity during the year consisted of:

- a. loans advanced by Allco Hybrid Investment Trust,
- b. loans repaid to Allco Hybrid Investment Trust, and
- c. the payment of a distribution to Allco Funds Management Limited.

	2007 \$'000	2006 \$'000
Amounts recognised as revenue		
Interest income	46,504	43,343
	46,504	43,343
Amounts recognised as expense		
Responsible entity fees	4,143	6,057
Arrangement fees	-	615
	4,143	6,672

Aggregate amounts of assets and liabilities at balance date relating to the above transactions with the Scheme:

	2007 \$'000	2006 \$'000
Assets		
Loans and advances	389,820	384,707
Other		
	389,820	384,707
Liabilities		
Responsible entity fees payable	-	-
Loans and advances		
	-	-

Transactions with other related parties

During the year ended 30 June 2007, the Scheme earned total income of \$1,762,264 in relation to these loans from APT which had a nil balance at year end.

Notes to the Financial Statements

15. Related party transactions (continued)

Related party unitholdings in the Scheme

(i) AMIFL unitholdings

AMIFL, related parties, its associates and other schemes managed by AMIFL, held units in the Scheme as follows:

Unitholder	Number of units at the start of the year	Number of units acquired during the year	Number of units disposed of during the year	Balance at the end of the year	Interest held (%)	Distributions paid/payable by the Scheme
2007						
Allco HIT Limited	-	11,320,715	-	11,320,715	100.00%	-
Allco Funds Management Limited	2,781,131	-	(2,781,131)	-	-	-
2006						
Allco Funds Management Limited	10,000,000	-	(7,218,869)	2,781,131	24.57%	\$2,956,290

(ii) Directors' unitholdings of AMIFL

Units held in the Scheme by persons who were directors of AMIFL at any time during the financial year are as follows:

Allco Hybrid Investment Trust

Unitholder	Number of units held at start of year	Number of units acquired during the year	Number of units disposed of during the year	Balance at the end of the year	Interest held (%)	Distributions paid/payable by the Scheme
2007						
C J West	2,656	-	(2,656)	-	-	-
M P C Brogan	1,062	-	(1,062)	-	-	-
2006						
C J West	2,500	156	-	2,656	0.02%	\$739
M P C Brogan	1,000	62	-	1,062	0.01%	\$296

Notes to the Financial Statements

16. (a) Reconciliation of net (loss)/profit to net cash (outflow)/inflow from operating activities

	2007 \$'000	2006 \$'000
Net (Loss)/profit for the year	(315)	21,789
Unamortised establishment fees	-	-
Increase in interest, dividends, trust distributions and other income receivable	(31,825)	(65,878)
Increase in interest payable	37,213	36,604
Unrealised loss on assets held for sale	-	-
Realised losses on sale of investments	-	-
Increase in trade and other payables	(6,270)	6,508
Increase in receivables	271	(220)
Net cash (outflow)/inflow from operating activities	(926)	(1,197)

(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.

-	99
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17. Events occurring after the balance sheet date

The amount due to the Scheme under the upside sharing arrangement with Allco Principals Trust (APT) has been impacted by the volatility in global financial markets subsequent to the year end. APT has a significant shareholding in Allco Finance Group Limited (AFG) and therefore the upside sharing arrangement can be materially impacted by movements in the AFG share price. The AFG share price has experienced considerable price volatility subsequent to the year end and this has had an impact on the net profits of APT. The directors have reassessed the impact of the post year end financial markets volatility on the recoverability of the Scheme's preference units with APT and are of the opinion that they are not impaired.

The directors have also considered the impact on the net asset position of the Scheme. As an approximate guide¹ each \$1 decrease in the AFG share price results in an additional \$8m unrealised loss being incurred by HIT from the profit share arrangement with APT – of which, \$1.6m flows to PoD hybrid holders – or approximately \$0.64 per hybrid. Refer note 1(f) and note 1(o) for further details. Although significant volatility can arise, the upside sharing arrangement can never result in a realised loss for the Scheme on maturity, and any unrealised loss therefore relates to a reversal of unrealised profits which have been recognised in prior periods.

The directors are not aware of any other matter or circumstance that has occurred since balance sheet date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2007 or on the results and cash flows of the Scheme for the year ended on that date.

¹ This guide is meant to provide an illustrative description of the relationship between share price and profitability. The relationship between share price, profitability and the profit participation of HIT and holders of the PoD hybrids is subject to the performance of APT's other investments, APT's costs and other factors which influence the net profitability that is realised by APT. APT currently holds 45.8m shares in AFG and 23.2m shares in Allco HIT Ltd (AHL).

Notes to the Financial Statements

18. Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2007.

Directors' Declaration

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes, set out on pages 7 to 28, 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 Scheme's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Scheme 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.



RJ Alcock
Chairman

Sydney
29 August 2007

Independent auditor's report to the unitholders of Allco Hybrid Investment Trust

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Report on the financial report

We have audited the accompanying financial report of Allco Hybrid Investment Trust (the registered scheme), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Allco Hybrid investment Trust.

Directors' responsibility for the financial report

The directors of the responsible entity of the registered scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website
<http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Allco Hybrid Investment Trust is in accordance with the *Corporation Act 2001*, including:
 - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2007 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* and
- (b) the registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



PricewaterhouseCoopers



Mark Haberlin
Partner

Sydney
29 August 2007

AMIFL Corporate Governance Statement

Allco Managed Investment Funds Ltd (“AMIFL”) was the responsible entity of Allco Hybrid Investment Trust (“Scheme”) for the financial year to 30 June 2007 and to the date of this Annual Report. This statement outlines AMIFL’s main corporate governance practices as at 30 June 2007, and, unless stated otherwise, they reflect the practices in place during the reporting period.

Allco Finance Group Limited (“AFG”), the parent of AMIFL, is committed to good corporate governance for entities within the Allco Finance Group (“Allco”) which are listed on the various stock exchanges around the globe. As at 30 June 2007, AMIFL has adopted governance practices and processes to meet the Australian Stock Exchange (“ASX”) Listing Rules (“Listing Rules”) disclosure requirements, as they apply to managed investment schemes, such as those for which AMIFL acts as responsible entity. Since 1 July 2007, AMIFL has enhanced its governance practices – particularly relating to the separation between those within Allco responsible for the acquisition and management of assets within Allco’s asset classes, and those responsible for the management of Allco’s Funds. This increased level of separation provides further evidence of Allco’s commitment to good corporate governance in the management of public funds.

The ASX Corporate Governance Council has published the Principles of Good Corporate Governance and the Best Practice Recommendations (“Recommendations”) as a best practice guide to good corporate governance for listed entities. In accordance with the Listing Rules, AMIFL provides this statement disclosing the extent to which it has followed the Recommendations in the reporting period.

Principle 1

Lay solid foundations for management and oversight.

Recommendation 1.1

Formalise and disclose the functions reserved to the board and those delegated to management.

The Board operates in accordance with the AMIFL Board Charter which was adopted by the Board on 25 September 2006. A copy of the Board Charter is available upon request to the company secretary. Each director is appointed to that position under a formal letter of engagement which sets out the key terms and conditions of their appointment as a director.

The Board has formally delegated specific functions to the management of each managed investment scheme for which AMIFL is the responsible entity. These delegations primarily relate to the day-to-day operations of each scheme, its investments and working capital management. The Board is advised of significant investment decisions taken by management at each subsequent meeting of the Board.

All transactions involving related parties are considered by the AFG Related Party Committee which is comprised entirely of independent directors and also require approval by the independent directors of AMIFL.

Principle 2

Structure the board to add value.

Recommendation 2.1

A majority of the board should be independent directors.

AMIFL currently has 3 directors, Richard Alcock (Chairman), Michael Brogan and Michael Stefanovski. Mr Alcock and Mr Brogan are independent directors. AFG itself also has a majority of independent directors to ensure the activities of AFG and its subsidiary entities act consistently with the highest standards of corporate governance.

The Board regularly reviews the independence of each director. For this purpose an independent director is independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement as a director of AMIFL.

The directors are required to disclose any material contract or relationship and adhere to the constraints on their participation and voting in relation to matters in which they have an interest in accordance with the Corporations Act and AMIFL's policies.

The Board has assessed Mr Alcock and Mr Brogan to be independent because they:

- Have never held an executive role within AFG or any other Allco business;
- Are not substantial shareholders of AFG or any other Allco business;
- Are remunerated by a fixed fee (without adjustment relating to the financial results of any Allco business) which is based on specialist third-party remuneration advice;
- Other than as a director of AMIFL, have no material contractual relationship with AFG or any other Allco business, subject to the disclosure made by Mr Alcock that he is a director of two other entities managed by Allco, being Allco HIT Limited and Allco SIF Limited, and the disclosure by Mr Brogan that he is a director of Allco Equity Partners Limited. Where a decision pertains to a transaction between Allco managed entities, neither Mr Alcock nor Mr Brogan participate in the decision where they are a director of more than one of those entities;
- Are not a principal or a material professional adviser or other material consultant to AFG or any other Allco business, subject to the disclosure made by Mr Alcock that he was, until 31 December 2006 a partner of the law firm Allens Arthur Robinson, which provides legal services to AFG and remains a consultant to that firm. Mr Alcock does not provide services to Allens Arthur Robinson in respect of the firm's engagement by AFG;
- Have no interest in any business or other relationship which could materially interfere with their ability to act in the best interests of investors in funds for which AMIFL is responsible entity;
- Have served on the Board for relatively short periods (which are specified under recommendation 2.5); and
- Have agreed to act in accordance with AMIFL policies, including the Related Party and Conflicts of Interest Policy, by which they have a primary duty to act as fiduciary in the best interest of members of entities for which AMIFL is responsible entity.

Recommendation 2.2

The chairperson should be an independent director.

AMIFL's Chairman is an independent director.

Recommendation 2.3

The roles of chairperson and chief executive officer should not be exercised by the same individual.

AMIFL's chairman is not the chief executive officer of AMIFL.

Recommendation 2.4

The board should establish a nomination committee.

AFG has established a Nomination Committee which consists of all of AFG's directors. Acting in accordance with its Charter, this Committee assists with the nomination of directors to the AMIFL Board following consultation with the AMIFL directors to ensure a consensus of views in terms of a candidate's suitability. AFG's Nominations Committee Charter is available upon request to the company secretary.

Recommendation 2.5

Provide the information indicated in the Guide to reporting on Principle 2.

The skills, experience and expertise of each director in office is disclosed at the end of this Corporate Governance Statement.

The names of the independent directors are disclosed under recommendation 2.1.

Each independent director has an agreed procedure by which independent advice may be obtained at AMIFL's expense.

The term in office of each director on the AMIFL Board as at the date of this Annual Report is:

- Michael Stefanovski – since 19 June 2006;
- Michael Brogan – since 23 May 2006; and
- Richard Alcock – since 1 July 2006.

Mr Stefanovski and Mr Brogan were each directors on the Allco Managed Investments Limited ("AMIL") Board from 14 September 2005. AMIL was the responsible entity of the Scheme prior to AMIFL's appointment on 1 July 2006.

Principle 3

Promote ethical and responsible decision-making.

Recommendation 3.1

Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

***3.1.1 the practices necessary to maintain confidence in the company's integrity;
and***

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

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A code of conduct is documented in the letter of appointment executed between each independent director and AMIFL which outlines those practices considered reasonably necessary to safeguard the company's integrity and reputation.

The AFG Audit and Compliance Committee is responsible for establishing and overseeing the processes and practices AFG requires to maintain confidence in Allco's integrity and ethical behaviour. This committee consists entirely of AFG's independent directors. A 'Whistleblower' policy has also been established by Allco and adopted by AMIFL.

Recommendation 3.2

Disclose the policy concerning trading in company securities by directors, officers and employees.

Under the Allco Staff Financial Products Dealing Policy, directors, officers and employees are prevented from trading in the securities of entities for which AMIFL is responsible entity, as well as all other Allco entities, except for permitted trading periods following the release of the relevant half year and annual reports or other public offer document, or in connection with Allco employee share plans and only if the relevant person is not in possession of any inside information in relation to the entity.

Recommendation 3.3

Provide the information indicated in the Guide to reporting on Principle 3.

Principle 3 recommends that the following material should be included in the corporate governance section of the annual report:

- *Explanation of any departures from best practice recommendations 3.1 to 3.3.*

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- *Any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under Principle 10; and*
- *The trading policy or a summary of its main provisions.*

Allco's trading policy is summarised under recommendation 3.2.

Allco's code of conduct and trading policy will be made available upon request to the company secretary.

Principle 4

Safeguard integrity in financial reporting.

Recommendation 4.1.

Require the CEO and the CFO to state in writing to the board that the company's financial reports represent a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

AMIFL adheres to this recommendation in respect of the annual and half-yearly financial reports by requiring the CEO and CFO to provide a signed written statement to the Board which complies with the requirements of the Corporations Act (refer to recommendation 7.2 for further discussion).

Recommendation 4.2

The board should establish an audit committee.

AMIFL has established an Audit and Compliance Committee. The Audit and Compliance Committee comprises:

- Michael Brogan (independent director and committee Chairman);
- Richard Alcock (independent director); and
- Michael Stefanovski (executive director).

Recommendation 4.3

Structure the audit committee so that it consists of only non-executive directors, a majority of independent directors, an independent chairperson who is not chairperson of the board and has at least three members.

AMIFL's Audit and Compliance Committee includes Michael Stefanovski, who is an executive of AFG and also has an executive role in respect of the entities for which AMIFL is responsible entity. Mr Stefanovski has responsibility for Allco's compliance, governance and finance functions and therefore is considered to be an appropriate member of the Audit and Compliance Committee. The Audit and Compliance Committee reviews the appropriateness of membership on a semi-annual basis.

Recommendation 4.4

The audit committee should have a formal charter.

AMIFL's Audit and Compliance Committee has a formal charter that is reviewed annually.

Recommendation 4.5

Provide the information indicated in the Guide to reporting on Principle 4.

Principle 4 recommends that the following material should be included in the corporate governance section of the annual report:

- *Details of the names and qualifications of those appointed to the audit committee;*
- *The number of meetings of the audit committee and the names of the attendees; and*
- *Explanation of any departures from best practice recommendations 4.1 to 4.5.*

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- *The audit committee charter; and*
- *Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.*

The membership of the Audit and Compliance Committee is set out under recommendation 4.1. All members hold qualifications and have experience which enables them to discharge their committee duties, which are set out at the end of this Corporate Governance Statement.

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The number of Audit and Compliance Committee meetings held during the year to 30 June 2007 and attendance by the members is contained in the table below.

Name	Meetings during the period	Meetings attended
Richard Alcock	5	5
Michael Brogan	5	5
Michael Stefanovski	5	4

AMIFL's Audit and Compliance Committee Charter and procedure for selection of auditors are available upon request to the company secretary.

Principle 5

Make timely and balanced disclosures.

Recommendation 5.1

Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.

AMIFL's compliance obligations are the responsibility of the manager of the Scheme, Allco Funds Management Limited ("Manager"). The Manager is a wholly owned subsidiary of AFG and adheres to the disclosure procedures adopted by AFG to ensure compliance with the Listing Rule disclosure obligations. AFG also provides the resources necessary to comply with these obligations, however, AMIFL also retains access to independent advisers and counsel where considered appropriate by the directors. All disclosures are subject to a written policy to ensure appropriate accountability and review.

Recommendation 5.2

Provide the information indicated in the Guide to reporting on Principle 5.

Principle 5 provides that the following material should be included in the corporate governance section of the annual report:

- *Explanation of any departures from best practice recommendations 5.1 or 5.2.*

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- *A summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.*

AMIFL's policies in relation to compliance with the Listing Rule disclosure requirements are available upon request to the company secretary.

Principle 6

Respect the rights of shareholders.

Recommendation 6.1

Design and disclose a communications strategy to promote effective communications with investors and encourage effective participation at general meetings.

AMIFL's communications strategy is the responsibility of the Scheme CEO with support from Allco's External Relations Department. Investors' informational needs are met through the extensive information provided to relevant parties in the prospectus and public disclosure documents published at inception and via annual and semi-annual financial reports. Information on the entities for which AMIFL is responsible entity can also be found on AFG's website (www.allco.com.au).

AMIFL is not required to and does not intend to hold an annual general meeting for the current financial year.

AMIFL conducts regular face to face briefings with brokers, researchers and other professional investment advisers to ensure that the market is provided with an opportunity to question management on the affairs of the Scheme and other entities for which AMIFL is responsible entity. Disclosure of these briefings is made in accordance with applicable Listing Rule requirements.

Recommendation 6.2

Request the external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

AMIFL is not currently required to hold an AGM and does not intend to hold an AGM for the current financial year.

Principle 7

Recognise and manage risk.

Recommendation 7.1

The board or appropriate board committee should establish policies on risk oversight and management.

The AMIFL Board approved the AMIFL Risk Management Policy on 22 February 2007, under which risk oversight and management is undertaken by AMIFL's Audit and Compliance Committee. The Board reviews this policy and, where necessary, amends and adapts the policy to the specific requirements of the Scheme.

Each entity has defined investment criteria established in the prospectus or public disclosure document under which an offer of securities was made. Risk management policies and practices are established in accordance with those investment criteria and disclosures.

Recommendation 7.2

The CEO and CFO should state to the board that:

7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of the financial statements) is founded on a sound system of

risk management and internal compliance and control which implements the policies adopted by the board; and
7.2.2 *The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

The relevant executives of AFG with responsibility for the operational management of the Scheme provide a written statement to the Board of AMIFL which complies with the requirements of the Corporations Act. Those executives state that the integrity of the financial statements and notes thereto are, to the best of the relevant executives' knowledge and belief, founded on a sound system of risk management and internal compliance and control systems which implement the policies adopted by the Board. Additionally, those executives state that the risk management and internal compliance and control systems, to the extent they relate to financial reporting, are to the best of the relevant executives' knowledge and belief, operating effectively, in all material respects, based on the risk management policies adopted by the Board.

Recommendation 7.3

Provide the information indicated in the Guide to reporting on Principle 7.

Principle 7 states that the following material should be included in the corporate governance section of the annual report:

- *Explanation of any departures from best practice recommendations 7.1 to 7.3.*

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- *A description of the company's risk management policy and internal compliance and control system.*

The company's risk management policy is available upon request to the company secretary.

Principle 8

Encourage enhanced performance.

Recommendation 8.1

Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

AMIFL does not currently have any executives. All management functions are performed by executives of AFG on behalf of the Manager. Performance evaluation of these executives is subject to AFG's own policies and procedures.

New directors undertake an induction on the Allco business and AMIFL Board. The Board also undertakes an internal self evaluation of its effectiveness on an annual basis. This process includes consideration of feedback provided by AFG executives via the company secretary.

Principle 9

Remunerate fairly and responsibly.

Recommendation 9.1

Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

Independent directors of AMIFL are paid a fixed fee for performing their duties as directors, a fixed fee for participation in committees and a fixed fee for chairing any committees of the Board.

No independent director remuneration is linked to the performance of AMIFL or any entity for which it is responsible entity. The executive director of AMIFL does not receive any remuneration in respect of his role as a director of AMIFL or member of the Audit and Compliance Committee.

Key executives (including the executive director of AMIFL) are paid by AFG in accordance with AFG's Remuneration Policy. Their remuneration is dependent on the performance of AFG and the division to which they are assigned within Allco. The remuneration earned by some AFG executives may, in certain circumstances, be linked to the performance of the Scheme. This remuneration is not met from the assets of the Scheme and is independent from the fees earned by the Manager.

Recommendation 9.2

The board should establish a remuneration committee.

The directors of AMIFL do not believe that the establishment of a remuneration committee is necessary in AMIFL's current circumstances given that independent directors' remuneration is fixed and that executive remuneration is not a cost directly borne by entities for which AMIFL is the responsible entity. AFG has established a Human Resources and Remuneration Committee which assists AMIFL in the discharge of its duties.

Recommendation 9.3

Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

Executive and non-executive directors are remunerated on the basis disclosed under recommendation 9.1.

Recommendation 9.4

Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

There are no equity based remuneration arrangements in respect of AMIFL or the Scheme.

Recommendation 9.5

Provide the information indicated in the Guide to reporting on Principle 9.

Principle 9 states that the following material should be included in the corporate governance section of the annual report:

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- *Disclosure of the company's remuneration committee and their attendance at meetings of the committee;*
- *The existence and terms of any schemes for retirement benefits other than statutory superannuation, for non-executive directors; and*
- *An explanation of any departures from best practice recommendations 9.1 to 9.5.*

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- *The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements of that committee.*

As noted under recommendation 9.2, the directors of AMIFL do not believe that a remuneration committee is appropriate or necessary in the current circumstances as all remuneration is met by other entities outside of AMIFL's control other than that of independent directors who are remunerated on the basis disclosed above.

Non-executive directors do not receive any retirement benefits other than statutory superannuation.

Principle 10

Recognise the legitimate interests of stakeholders.

Recommendation 10.1

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

A code of conduct has been established in relation to non-executive directors of AMIFL.

A code of conduct established by AFG applies to all Allco employees, including those who are made available to the Scheme by the Manager.

The conduct of AMIFL and related parties in the management of the managed investment schemes and other entities for which AMIFL is responsible, is governed by management agreements and other documented agreements. These agreements have been drafted to ensure compliance by AMIFL and related parties with their obligations to external stakeholders, as disclosed in the relevant prospectus and/or product disclosure document.

Information on directors as at the date of this report

Richard Alcock, B Com, LLB

Independent non-executive director

Experience and expertise

Richard has over 25 years experience as a corporate lawyer and is one of Australia's leading legal experts in corporate governance. Until recently, he was a Senior Partner of Allens Arthur Robinson, at which he was also the head of Corporate Governance and Chairman of the firm's Ethics Committee. Richard has practised in mergers & acquisition, corporate & commercial law, and funds management in Australia and South-East Asia including a four year period from 1988-1991 in Indonesia and Singapore. In 1992, he was appointed by the Australian Federal Government to the Board of the Australia-Indonesia Institute for a 4 year term. Richard was recently appointed as Vice Chairman, Investment Banking, Merrill Lynch Australia.

Special Responsibilities

Chairman of the Board

Member Audit and Compliance Committee

Michael Brogan, Fellow of the Institute of Chartered Accountants

Independent non-executive director

Experience and expertise

Michael is a non-executive director of the FirstRand Banking Group. In that capacity he is Chairman of FirstRand International Limited and the RMB Australia Group.

Michael was a senior executive director with Rand Merchant Bank and the FirstRand Banking Group from 1994 to 2005. Prior to joining the FirstRand Group, Michael had eight years international banking experience with Standard Chartered Bank in Hong Kong, where he held numerous senior international executive director positions with business development and operational responsibilities, ultimately spanning 17 countries. Prior to joining Standard Chartered Bank, Michael spent 14 years as a partner in a firm of chartered accountants in Australia.

Michael has extensive domestic and international business experience in the areas of strategic business development, corporate governance, audit, compliance and risk management.

Special Responsibilities

Chairman Audit and Compliance Committee

Michael Stefanovski, B.Ec, CPA, ACIS

Executive director (and AFG Chief Operating Officer)

Experience and expertise

Michael joined Allco as Chief Operating Officer in 2005. In roles prior to joining Allco, he has served as Chief Financial Officer of Westfield Trust, as a Director and CFO of the Perpetual Trustees group, Chair of ASX Perpetual Registrars and Finance Director of Optus Communications. He has also held senior management positions in the construction and general insurance sectors.

Special Responsibilities

Member Audit and Compliance Committee

Other Information

Allco Managed Investment Funds Limited is the responsible entity of Allco Hybrid Investment Trust. The secretary of Allco Managed Investment Funds Limited is Tom Lennox.

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