Max Trust

APPENDIX 4E

Final Report

1. Details of the reporting period

Current Period: Financial year ended 30 June 2010

Previous Corresponding Period: Financial year ended 30 June 2009

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2010 ($,000)	2009 ($,000)	% Change
Revenue from ordinary activities	(29,395)	(53,868)	(45.43)
Pre-tax profit/(loss) from ordinary activities	26,533	(71,331)	137.20
After-tax profit/(loss) for year ended 30 June	26,533	(71,331)	137.20

The fund is not liable for income tax under the Income Tax Assessments Acts (1936), provided that its taxable income (including any assessable realised net capital gains) is fully distributed to unitholders each year.

3. Details of Distributions

The Scheme undertakes not to pay any cash distributions to the Scheme unitholders until all amounts owing to noteholders have been paid in full. The Scheme will retain the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.

4. Distribution Reinvestment Plan

Not applicable

5. Net asset backing per unit

The net asset backing per unit at 30 June 2010 was $0.2962.

The net asset backing per unit as previously announced at 30 June 2010 was $0.2411. The change in the NTA has been brought about primarily due to a decrease of $8,886,603 to the deferred margin accrued interest at 30 June 2010. As the interest accrued on the deferred margin is not payable until the notes have been repaid in full, the present value of the interest accrued has been recorded at 30 June 2010.

For details of adjustments posted for the prior period, refer to Note 24 – Correction of Prior Period Error in the financial statements.

6. Commentary on results

1. Profit per unit	15.0 cents
2a. Operating profit/(loss) after tax ($'000) 2b. Distributions to unitholders for current period. ($'000)	$26,533 Nil
3. Significant features of operating performance	Gains on financial instruments of $37,108,783 due to an improvement in markets.
4. Results from segments	N/A
5. Trends in performance	Refer to part 2 above
6. Other factors that affected the results	N/A

7. Audit/review of accounts upon which this report is based

The audited financial report for the period ended 30 June 2010 has been attached to this release.

8. Qualification of audit/review

None.

Additional Appendix 4E disclosure requirements can be found in the Financial Report including the Notes attached to this release.

Max Trust
ARSN: 115 268 669

Annual Financial Statements

30 June 2010

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Directors' Report

The Trust Company (RE Services) Limited, ABN 45 003 278 831, AFSL 235150 (the "Responsible Entity"), formerly known as Permanent Investment Management Limited is the responsible entity of Max Trust ("Scheme"). The Directors of the Responsible Entity present their report, together with the financial report of the Scheme, for the year ended 30 June 2010.

The Responsible Entity, changed its name from Permanent Investment Management Limited on 22 June 2010 in line with the new branding and visual identity of its parent entity, The Trust Company Limited.

Scheme information

The Scheme was constituted on 11 July 2005 and was registered with the Australian Securities & Investments Commission ("ASIC") on 27 July 2005. The Responsible Entity is incorporated and domiciled in Australia with its registered office located at Level 4, 35 Clarence Street, Sydney, NSW, 2000.

Directors and Officers

The Directors and Officers of the Responsible Entity during the whole year and up to the date of this report are:

- John Atkin
- Michael Britton
- Vicki Allen
- David Grbin
- Adrian Lucchese – Joint Company Secretary
- Sally Ascroft (appointed 02/11/2009) – Joint Company Secretary

Sally Ascroft acted as an alternate director for David Grbin for the period 24 June 2010 to 1 August 2010.

No Director or Officer of the Responsible Entity held a relevant interest in units of the Scheme at the date of this report.

Principal activities

The Scheme is a registered managed investment scheme which has invested in money market securities, debt securities and investment grade loans in addition to interest rate and foreign currency derivatives. 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

Overview

The underlying fundamentals of the Scheme are consistent with those set out in the Scheme's prospectus dated 4 August 2005.

Results

The net profit of the Scheme, as presented in the statement of comprehensive income for the financial year ended 30 June 2010, was $26,532,890 (2009: loss of $71,330,866).

Distributions

The distribution of income from the Scheme for the financial year ended 30 June 2010 was $nil (2009: $339,400 relating to distribution reinvestment).

Assets

The Scheme held net assets of $52.2 million at 30 June 2010 (2009: $25.7 million). The basis for the measurement of the Scheme's assets is disclosed in Note 1 to the financial statements.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs in the current year. The following disclosure relates to changes that occurred in the prior year.

As previously disclosed, the Scheme had two primary sources of debt funding: short term note purchase facility (warehouse facility) and the Medium Term Note (MTN) program.

On 22 June 2009 the Scheme announced to the market that it had affected a restructure of its debt on 19 June 2009. The key terms of the restructure are as follows:

- The debt facilities were restructured into two classes of Pass-Through Notes (PT Notes). The former Warehouse Facility has been converted into A1 PT Notes, while the two series of MTN's issued have been aggregated into a single class titled, A2 PT Notes.
- The legal final maturity date of the notes held by the warehouse facility provider and other investors was extended to 20 December 2039. (Noteholders agreed a further extension past the previous maturity date of 31 December 2027).
- The margin payable on the A1 notes is 2.15%pa.
- The margin payable on the A2 notes is 0.75%pa.
- In addition, a deferred margin amount accrues on outstanding notes at a rate of 6.0%pa (in the case of notes held by the warehouse facility provider) and 2.0%pa (in the case of notes held by other investors). The deferred margin amount is only payable following the repayment in full of the principal amount of the notes and then only to the extent the Scheme has excess cash flow or if the legal final maturity date or an event of default has occurred. This additional amount will be subordinated to all other secured amounts owed by the Scheme (including other interest owing on the notes) but will be paid ahead of distribution to unitholders.
- The principal amount outstanding on the notes will be repaid on a pro-rata basis during the term of the notes to the extent the Scheme has excess cash flow.
- The Scheme undertakes not to dispose of assets at less than certain specified percentages of par value and unless certain other conditions are met, unless the approval of the noteholders is obtained.

- In income years where the Scheme has net income to which the unitholders are presently entitled for tax purposes, unitholders will be liable to tax on that net income irrespective of whether they receive the amount of the net income as a cash distribution.
- The Scheme undertakes not to pay any cash distributions to the Scheme unitholders until all amounts owing to noteholders have been paid in full. The Scheme will retain the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.
- The portfolio tests under the Scheme's debt programme were restructured and the Scheme has established and maintains certain liquidity and expense reserves which comply with the new portfolio tests.

Likely developments

Information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

Following the restructure of the debt funding, the scheme became a static investment vehicle with a hold to maturity strategy. Subject to meeting certain criteria, assets may be sold prior to maturity, but no new investments will be made.

Events occurring after the reporting date

The directors are not aware of any matter or circumstance that has occurred since the reporting date that would impact the financial position of the Scheme disclosed in the Statement of Financial Position as at 30 June 2010 or on the results and cash flows of the Scheme for the year ended on that date, or the operations of the Scheme in future financial years, the results of those operations in future financial years or the state of affairs of the Scheme in future financial years.

Environmental regulation

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

Indemnification and insurance of officers and auditors

No insurance premiums are paid out of the Scheme's assets in relation to insurance cover for the former or current Responsible Entity, its officers and employees, or the auditors of the Scheme. Under the Scheme Constitution, the officers of the Responsible Entity remain indemnified out of the assets of the Scheme against losses, damage, expense or liability incurred while acting on behalf of the Scheme.

The Scheme has not indemnified any auditor of the Scheme.

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

A flat fee of $330,000 per annum is paid to the Responsible Entity. No interests were held in the Scheme by the Responsible Entity or its associates during the year and up to the date of this report.

Interests in the Scheme

The movement in the ordinary units on issue in the Scheme during the financial year is set out below:

	2010 No.	2009 No.
Ordinary units on issue at the start of the year	176,439,524	173,928,062
Ordinary units issued during the year	-	-
Ordinary units reinvested during the year (DRP)	-	2,511,462
Ordinary units on issue at the end of the year	176,439,524	176,439,524

Rounding off

The Scheme is a registered scheme of a kind referred to in Class Order 98/100 (as amended) issued by ASIC relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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

Vicki Allen
Director

Sydney
31 August 2010

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Max Trust for the year ended 30 June 2010, 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 Max Trust during the period.

Chris Cooper
Partner
PricewaterhouseCoopers

Sydney
31 August 2010

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $,000	2009 $,000
Investment Income			
Interest and yield related income	4	29,395	53,868
Net gain/(loss) on financial instruments	5	37,109	(66,976)
Total Investment Income		66,504	(13,108)
Expenses			
Finance costs	6(a)	37,718	55,187
Other operating expenses	6(b)	2,075	2,913
Auditor's remuneration	7	178	123
Total Expenses from Operating Activities		39,971	58,223
Net Profit/(Loss) for the year attributable to Unitholders of the Scheme		26,533	(71,331)
Other Comprehensive Income		-	-
Total Comprehensive Income/(Loss) for the year		26,533	(71,331)
		Cents	Cents
Earnings per unit for profit/(loss):			
Basic & Diluted earnings/(loss) per unit	19	15.0	(40.6)

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

Max Trust
Statement of Financial Position
as at 30 June 2010

	Note	2010 $,000	2009 $,000
Assets			
Cash and cash equivalents	8	19,156	18,648
Trade and other receivables	9	4,554	6,703
Financial assets at fair value through profit or loss	10(a)	400,470	499,208
Derivative financial instruments	11	7,690	15,964
Loan assets held at amortised cost	10(b)	68,037	180,357
Total assets		499,907	720,880
Liabilities			
Trade and other payables	12	778	1,703
Derivative financial instruments	11	8,088	34,575
Interest-bearing loans and borrowings	13	438,780	658,874
Total liabilities		447,646	695,152
Net assets		52,261	25,728
Equity			
Issued capital			
- Ordinary units	14(a)	154,413	154,413
Accumulated losses	16	(102,152)	(128,685)
Total equity		52,261	25,728

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

	Note	Accumulated Losses $,000	Ordinary Units $,000	TOTAL $,000
Balance at 1 July 2008		**(57,354)**	**154,074**	**96,720**
Total comprehensive income for the year ended 30 June 2009		(79,150)	-	(79,150)
Correction of error	24	7,819	-	7,819
Restated total comprehensive income for the year		(71,331)	-	(71,331)
Transactions with owners in their capacity as owners - units reinvested		-	339	339
Balance at 30 June 2009		**(128,685)**	**154,413**	**25,728**
Total comprehensive income for the year ended 30 June 2010		26,533	-	26,533
Transactions with owners in their capacity as owners		-	-	-
Balance at 30 June 2010		**(102,152)**	**154,413**	**52,261**

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

Max Trust
Statement of Cash Flows
for the year ended 30 June 2010

	Note	2010 $,000	2009 $,000
Cash flows from operating activities			
Interest income received		32,201	52,982
Interest paid		(25,880)	(49,549)
GST received		-	(81)
Payments to suppliers and employees		(3,178)	(2,147)
Net cash from operating activities	20	3,143	1,205
Cash flows from investing activities			
Proceeds from redemptions of approved investments		229,183	67,744
Net cash from investing activities		229,183	67,744
Cash flows from financing activities			
Repayment of borrowings		(231,843)	(105,024)
Distributions paid		-	(2,709)
Net cash from financing activities		(231,843)	(107,733)
Net increase in cash and cash equivalents		483	(38,784)
Cash and cash equivalents at 1 July		18,648	57,392
Effect of exchange rate fluctuations on cash and cash equivalents		25	40
Cash and cash equivalents at 30 June		19,156	18,648
Non-cash financing activities	21	-	339

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

1. Significant accounting policies

The Trust Company (RE Services) Limited (the "Responsible Entity") is the responsible entity for Max Trust ("Scheme"). These general purpose financial statements for the year ended 30 June 2010 cover the Scheme and have been prepared in accordance with the principal accounting policies as set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

These financial statements were authorised for issue by the directors on 31 August 2010.

The directors of the Responsible Entity have the power to amend and reissue the financial statements.

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB"), other authoritative pronouncements of the AASB, Urgent Issues Group Interpretations and the *Corporations Act 2001*.
The Scheme's financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Accounting standards not previously applied

The Scheme has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current period. Disclosures required by these standards that are deemed material have been included in these financial statements on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements
AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these statements include:

- the replacement of the Income Statement with Statement of Comprehensive Income;
- the adoption of the separate single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- all non-owner changes in equity must now be presented in the Statement of Comprehensive Income.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

Segment information
The Scheme has adopted AASB 8 *Operating Segments* from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the responsible entity who has overall decision making responsibility, based on recommendations made by the investment manager.

1. Significant accounting policies (continued)

Financial Instrument: Disclosures

The Scheme has adopted the revised AASB 7 *Financial Instrument: Disclosures* from 1 July 2009 which includes disclosure requirements for fair value measurement disclosures of financial assets and financial liabilities.

(c) Basis of preparation

These financial statements are prepared on the historical cost basis except those financial assets and liabilities that are stated at fair value through profit or loss.

The Scheme is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended) by ASIC relating to the "rounding off" of amounts in the directors' report and the financial statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

The preparation of financial statements 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. Other than the items detailed in the accounting policies below there are no differences in actual and estimated results.

The statement of financial position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

(d) Reporting currency

All balances are reported in Australian dollars unless otherwise stated.

(e) Foreign currency transactions and balances

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

Foreign exchange gains and losses arising on translation are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Non-monetary assets and liabilities that are measured in terms of historical cost in a 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.

1. Significant accounting policies (continued)

(f) Revenue

Revenue is income that arises in the course of ordinary activities of the Scheme and is recognised at the fair value of the consideration received or receivable. It is recognised when it is probable that future economic benefits will flow to the scheme and these benefits can be measured reliably.

Interest income

Interest income is recognised in profit or loss on an accrual basis, using the effective interest method. Upfront loan fee income is amortised over the expected life of the loan on a basis that represents an effective interest rate. Accrued coupons, amortisation of premiums and accretion of discounts are brought to account as interest income on a yield-to-maturity basis in accordance with the terms of the security.

Included in interest are arrangement fees charged on lending transactions that are deferred and recognised on a basis that represents an effective interest method.

(g) Finance costs

Finance costs comprise interest expense on borrowings calculated using the effective interest rate method that is recognised in profit or loss.

(h) Income tax

Under current legislation, the Scheme is not liable for income tax provided all of its taxable income is distributed to unitholders.

(i) Goods and services tax

The GST incurred on the costs of various services provided to the responsible entity by third parties such as audit fees, unit registry fees and regulatory exchange costs have been passed onto the Scheme.

The Scheme qualifies for Reduced Input Tax Credits (RITC's) at a rate of 75%; hence unit registry fees, regulatory exchange costs and responsible entity fees have been recognised in profit or loss net of the amount of GST recoverable from the Australian Tax Office ("ATO"). Accounts payable are inclusive of GST. The net amount recoverable from the ATO is included in receivables in the statement of financial position.

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.

1. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions or highly liquid investments with original maturities of three months or less.

(k) Interest and other receivables

Interest and other receivables are stated at their amortised cost less impairment losses.

(l) Investments and other financial assets

The Scheme classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

The Scheme recognises financial assets and financial liabilities on the date the investment is settled.

Financial assets at fair value through profit or loss:
Financial assets are initially recognised at fair value, typically represented by cost excluding transaction costs, the latter being expensed as incurred. Investments are at fair value at reporting date. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in profit or loss in the period in which they arise. The following represent the basis of valuation for financial reporting purposes:

Third Party Mark
Wherever possible, Threadneedle ("the investment manager") uses independent price information sourced from a third party, principally the banks and investment banks that have either arranged the transaction or have sold the position to the scheme.

Comparable Securities
For a number of securities, it is not possible to obtain third party marks. These securities are illiquid with no recent evidence of trades in the market. In these instances, the investment manager has estimated the market spread of these securities using many factors including, among others:

- comparable securities of similar rating quality;
- industrial classification;
- underlying asset category;
- currency; and
- tenor

1. Significant accounting policies (continued)

Accepted Market Methodology

These assets include only the private transactions in the Scheme's portfolio where there is no third party mark available and if there is no comparable securities available to estimate a market price.

These private transactions which have been valued using this method:

- Mobius All Mortgage Trust;

The scheme historically has adopted a methodology of marking these exposures to Par unless; the exposure has experienced permanent impairment. The investment manager has adopted this methodology in the marking of the assets.

The above categories are the valuation methods used by the Scheme and differ from the categories outlined in AASB 7 *Financial Instrument: Disclosures*. Fair value disclosures as required by AASB 7 have been included in Note 17(d).

Loans and receivables

Loans 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. Loans and receivables are held at amortised cost using the effective interest rate method.

Loans and receivables are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate.

(m) Hedging and derivative financial instruments

The Scheme uses derivative financial instruments including cross currency swaps and interest rate swaps to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Scheme does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

1. Significant accounting policies (continued)

During the 2009 year the Scheme ceased making an assessment of the effectiveness of the derivatives used for hedge transactions. The fair value of the hedging items (now classified as loan assets at amortised cost) at the date fair value hedge accounting ceased are being amortised using the effective interest rate method.

(n) Trade and other payables

These amounts represent liabilities owing by the Scheme prior to the end of the period, which remain outstanding at balance date. Creditors are stated at cost, are unsecured, and are usually paid within 30 days of recognition.

(o) Interest-bearing loans and borrowings

Interest-bearing loans and 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 loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Interest bearing liabilities are stated net of debt program establishment costs which are amortised to the statement of comprehensive income on the weighted average term of the borrowings which is currently assessed at 5 years.

(p) Issued capital

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new shares are accounted for as a deduction from equity, net of tax.

(q) Earnings per unit

Basic earnings per unit
Basic earnings per unit is calculated by dividing the profit attributable to unitholders of the Scheme, excluding any costs of servicing equity other than ordinary units, by the weighted average number of ordinary units outstanding during the year.

Diluted earnings per unit
Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit by taking into account amounts unpaid on ordinary units and any reduction in earnings per unit that would arise from the exercise of options outstanding during the financial period.

1. Significant accounting policies (continued)

(r) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Responsible Entity.

(s) Critical accounting estimates and judgements

The Scheme makes estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. 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 key accounting estimates and judgements are around determining the fair value of assets where there is not a readily determinable market price. Refer to Note 17 for further information on the determination of fair values.

(t) New standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The following standards and amendments are available for early adoption but have not been applied by the Scheme in these financial statements:

- AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*. AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Scheme's accounting for financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Scheme is yet to assess its full impact.

(u) Distributions

In accordance with the Scheme Constitution, the Scheme fully distributes its distributable income to unitholders by cash or reinvestment. The distributions are payable on the last business day of the quarters ended March, June, September and December.

The Scheme undertakes not to pay any cash distributions to the Scheme unitholders until all amounts owing to noteholders have been paid in full. The Scheme will retain the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.

1. Significant accounting policies (continued)

(v) Accumulated Losses

Accumulated losses are transferred directly to equity and 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 accumulated losses 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. Accumulated losses includes any unrealised gains/(losses) not assessable for tax purposes.

2. Segment information

The Scheme is organised into one main business segment which operates solely in the business of credit arbitrage by borrowing money to lend and invest within Australia. The Responsible Entity regularly reviews the results of the Scheme in aggregate, together with relevant information for individual investments. As such, there are no operating segments for segment information disclosure purposes.

Entity-wide disclosures

While the scheme operates in Australia only, the Scheme has investment exposures in different countries and across different industries. The Scheme does not have revenue from external customers from products or services and does not have non-current assets located in foreign currencies.

Refer to Note 17 for details of foreign currency exposures.

3. Going Concern

Notwithstanding the accumulated losses of $102,151,938 the financial statements have been prepared on a going concern basis. Under the terms of the debt restructure (refer Note 13) excess cash flow will be used to repay debt.

4. Interest and yield related income

	2010 $,000	2009 $,000
Cash and cash equivalents	1,379	4,019
Financial assets at fair value through profit or loss	24,556	39,557
Loans and receivables	3,460	10,292
	29,395	53,868

5. Net gain/loss on financial instruments

	2010 $,000	2009 $,000
Unrealised gain/(loss) on financial instruments held at fair value through profit or loss	36,829	(51,225)
Realised gain/(loss) on financial instruments held at fair value through profit or loss	280	(14,461)
Realised (loss) on financial liabilities held at amortised cost	-	(1,290)
	37,109	(66,976)

6. Expenses

(a) Finance costs

	2010 $,000	2009 $,000
Interest and finance charges paid or payable	37,447	54,534
Amortisation of Debt Establishment Costs	271	653
	37,718	55,187

(b) Operating expenses

	2010 $,000	2009 $,000
Investment manager's fees	868	490
Managed portfolio management fees	(51)	156
Responsible entity's fees	358	118
Treasury management fees	72	369
Legal expenses	297	831
Other expenses	531	949
	2,075	2,913

7. Auditor's remuneration

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

	2010 $	2009 $
Audit Services:		
PricewaterhouseCoopers		
Audit and review services	115,000	104,500
Other audit and review services	62,700	7,150
Other Services:		
PricewaterhouseCoopers		
Other non-assurance services	-	11,000
	177,700	122,650

It is the Scheme policy to employ PricewaterhouseCoopers on assignments additional to its statutory audit duties where PricewaterhouseCoopers expertise and experience with the Scheme are important. These assignments are principally accounting and tax advice, or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

8. Cash and cash equivalents – current assets

	2010 $,000	2009 $,000
Cash at bank and on hand	19,156	18,648
Cash and cash equivalents in the statement of cash flows	19,156	18,648

8. Cash and cash equivalents – current assets (continued)

The $19.1 million cash at bank and on hand disclosed in this note includes the following two reserves which have been established subsequent to the debt restructure.
Liquidity Reserve of $13,045,148
Unscheduled Expense Reserve of $1,003,420

The Liquidity Reserve comprises of cash and cash equivalents and will be maintained until the PT Note balance is fully repaid. The Unscheduled Expense Reserve is for payment of unforeseen expenditure and is topped up at each payment date if the balance falls below the target balance of $1,000,000. Refer to Note 17(c) for further details on the Reserves.

9. Receivables – current assets

	2010 $,000	2009 $,000
Interest receivable	4,380	6,564
Other receivables	174	139
	4,554	6,703

10. Financial assets

(a) Financial assets at fair value through profit or loss

	2010 $,000	2009 $,000
Held for Trading Securities		
Debt Securities	400,470	499,208
	400,470	499,208

(b) Loans and receivables held at amortised cost

	$,000	$,000
Loans and receivable assets	68,037	180,357
	68,037	180,357

The fair value of loans and receivable asset at 30 June 2010 was $61,802,514 (2009: $170,334,154).

(c) Classification

	$,000	$,000
Current	125,964	169,069
Non-current	342,543	510,496
	468,507	679,565

10. Financial assets (continued)

(d) Underlying Investments

	Fair Value 30 June 2010 $,000	Fair Value 30 June 2009 $,000
Debt Securities		
Apollo 2007-1E	1,965	2,623
HBOS Swan Series	2,328	3,223
Progress Trust 2006-1	3,797	5,047
REDS Trust	5,531	6,995
SMHL	4,735	6,655
Torrens Trust	6,180	9,012
AerCo Limited	1,453	3,176
AMR Corporation	5,969	5,669
Bear Stearns Co Inc	-	16,980
Belo Plc	11,404	10,800
Bishopsgate CDO Limited	4,661	4,351
Centro SC Securities	1,122	6,245
CFS Retail Property Trust	18,900	22,794
Challenger Treasury Limited	-	4,788
Coca-Cola Amatil Limited	5,495	5,405
Continental Airlines Inc	6,317	13,443
Countrywide Financial	14,915	14,214
CSMS	-	-
CSR Limited	-	-
Elm BV	11,606	9,216
Evergreen CDO	-	8,217
Fountain PI Trust	11,934	15,539
Gasnet Australia Ops	-	-
Generali Finance	12,036	12,867
Glitnir Bank	-	-
Goldman Sachs Group Inc	-	4,946
GPT RE Limited	9,977	9,202
Hannover Finance SA	7,227	6,743
Herald Limited Series 24	4,649	2,257
Khamsin Credit Products	6,636	6,785
Lease Investment Flight	4,715	5,769
Macquarie Bank Limited	17,669	14,219
Merrill Lynch & Co	9,999	9,809
Mobius AllMortgage Trust	30,000	30,000
Mobius NCM-03	17,714	29,160
Mobius NCM-04	21,607	36,474
Mobius NCM-04	17,000	17,000
Morgan Stanley	19,089	17,140
National Capital Instruments	4,657	4,564
National Capital Trust	9,197	8,250
Northwest Airlines	9,809	9,335
Obelisk Trust	7,258	6,896
Paragon Mortgages PLC	4,737	2,174
Pepper Trust No 7	3,946	5,455
Rainbow ABS CDO 2003	7,095	5,879
Rock & Rubble	6,000	9,896
Balance carried forward	349,329	429,212

10. Financial assets (continued)

(d) Underlying investments (continued)

	Fair Value 30 June 2010 $,000	Fair Value 30 June 2009 $,000
Debt Securities (continued)		
Balance brought forward	349,329	429,212
Sapphire IV NZ	3,331	3,222
SLM Corporation	9,546	8,453
Tabcorp Holdings	10,039	9,884
Telstra Corp Limited	-	20,362
Transurban Finance	11,856	11,507
Westfield Management	9,998	9,942
Wide Bay Trust	1,386	1,741
Woolworths Limited	4,985	4,885
	400,470	**499,208**
Loans & Receivable Assets	**Amortised Cost 30 June 2010 $,000**	**Amortised Cost 30 June 2009 $,000**
CRC Bridge Street Pty Ltd	-	100,511
CRC Gosford Pty Ltd	29,638	37,758
Qantas Airways Limited	38,399	42,088
	68,037	**180,357**
	468,507	**679,565**

11. Derivative financial instruments

In the normal course of business the Scheme 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 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 Scheme'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 Scheme against a fluctuation in market values or to reduce volatility;
- and adjusting asset exposures within the parameters set in the investment strategy.

11. Derivative financial instruments (continued)

	2010 $,000	2009 $,000
Derivative financial instruments – current assets		
Interest Rate and Cross Currency Swaps – Fair Value through Profit or Loss	7,690	15,964
	7,690	15,964
Derivative financial instruments - current liabilities		
Interest Rate and Cross Currency Swaps – Fair Value through Profit or Loss	8,088	34,575
	8,088	34,575

12. Trade and other payables – current liabilities

	2010 $,000	2009 $,000
Other accrued expenses	778	1,702
Other payables	-	1
	778	1,703

13. Interest-bearing loans and borrowings

(a) Loans and Borrowings

	2010 $,000	2009 $,000
Pass Through Notes - Principal	420,299	652,100
Interest payable - Pass Through Notes	692	755
Interest payable - Deferred Margin	18,621	6,990
Debt related initial costs	(832)	(971)
	438,780	658,874

(b) Classification

	2010 $,000	2009 $,000
Current	125,964	169,069
Non-Current	312,816	489,805
	438,780	658,874

The current estimate of the deferred margin is expected to be paid in the future once all the principal amounts of notes have been repaid is $27,508,452 (2009: $11,189,247). This amount has been discounted back to a present value of $18,621,849 (2009: 6,990,429).

The Scheme had two primary sources of debt funding: short term note purchase facility (warehouse facility) and the Medium Term Note (MTN) program.

13. Interest-bearing loans and borrowings (continued)

On 22 June 2009 the Scheme announced to the market that it had affected a restructure of its debt on 19 June 2009. The key terms of the restructure were as follows:

- The debt facilities were restructured into two classes of Pass-Through Notes (PT Notes). The former Warehouse Facility has been converted into A1 PT Notes, while the two series of MTN's issued have been aggregated into a single class titled, A2 PT Notes.

- The legal final maturity date of the notes held by the warehouse facility provider and other investors was extended to 20 December 2039. (Noteholders agreed a further extension past the previous maturity date of. 31 December 2027).
- The margin payable on the A1 notes is 2.15%pa.
- The margin payable on the A2 notes is 0.75%pa.
- In addition, a deferred margin amount accrues on outstanding notes at a rate of 6.0%pa (in the case of notes held by the warehouse facility provider) and 2.0%pa (in the case of notes held by other investors). The deferred margin amount is only payable following the repayment in full of the principal amount of the notes and then only to the extent the Scheme has excess cash flow or if the legal final maturity date or an event of default has occurred. This additional amount will be subordinated to all other secured amounts owed by the Scheme (including other interest owing on the notes) but will be paid ahead of distribution to unitholders.
- The principal amount outstanding on the notes will be repaid on a pro-rata basis during the term of the notes to the extent the Scheme has excess cash flow.
- The Scheme undertakes not to dispose of assets at less than certain specified percentages of par value and unless certain other conditions are met, unless the approval of the noteholders is obtained.
- In income years where the Scheme has net income to which the unitholders are presently entitled for tax purposes, unitholders will be liable to tax on that net income irrespective of whether they receive the amount of the net income as a cash distribution.
- The Scheme undertakes not to pay any cash distributions to the Scheme unitholders until all amounts owing to noteholders have been paid in full. The Scheme will retain the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.
- The portfolio tests under the Scheme's debt programme were restructured and the Scheme has established and maintains certain liquidity and expense reserves which comply with the new portfolio tests.

13. Interest-bearing loans and borrowings (continued)

A summary of the amended debt facility terms and conditions at 30 June 2010 are:

Class	Rating (S&P)	Amount Outstanding	Coupon	Deferred Margin	Maturity	Ranking
A1	A-	$107,227,180.61	BBSW + 2.15%	6.00%	20 December 2039	Pari Passu
A2	A-	$313,072,060.11	BBSW + 0.75%	2.00%	20 December 2039	Pari Passu
		$420,299,240.72				

Comparative information at 30 June 2009:

Class	Rating (S&P)	Amount Outstanding	Coupon	Deferred Margin	Maturity	Ranking
A1	A-	$166,364,432.03	BBSW + 2.15%	6.00%	20 December 2039	Pari Passu
A2	A-	$485,735,567.97	BBSW + 0.75%	2.00%	20 December 2039	Pari Passu
		$652,100,000.00				

14. Issued capital

(a) Unitholder Funds

	2010 Units	2009 Units	2010 $	2009 $
Ordinary units fully paid	176,439,524	176,439,524	154,412,969	154,412,969
	176,439,524	176,439,524	154,412,969	154,412,969

Ordinary units entitle the holder to participate in distributions and the proceeds on winding up of the Scheme in proportion to the number of and amounts paid on the units held. The holders of ordinary units are entitled to one vote per unit at meetings of the Scheme.

14. Issued capital (continued)

(b) Movements in unitholder funds

Movements in number of units and equity during the period were as follows:

	Number of units	Issue Price	$
Movement in ordinary units			
Opening balance 1 July 2008	173,928,062		154,073,569
Units reinvested	2,511,462	$ 0.14	339,400
Closing balance at 30 June 2009	**176,439,524**		**154,412,969**
Accumulated Losses			(128,684,827)
Total equity 30 June 2009			**25,728,142**
Movement in ordinary units			
Opening balance 1 July 2009	176,439,524		154,412,969
Units reinvested	-	$ -	-
Closing balance at 30 June 2010	**176,439,524**		-
Accumulated Losses			(102,151,938)
Total equity 30 June 2010			**52,261,031**

(c) Distribution reinvestment plan

The Scheme undertakes not to pay any cash distributions to the Scheme unitholders until all amounts owing to noteholders have been paid in full. The Scheme will retain the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.

(d) Unrealised gains/(losses)

At the reporting date, the Scheme had net unrealised gains of $36,828,890 (30 June 2009: losses of $51,224,775).

(e) Realised gains/(losses)

At the reporting date, the Scheme had realised taxable capital gains of $279,894 (30 June 2009: losses of $14,461,089). Carried forward capital losses are available to offset the current year and future years' assessable capital gains.

15. Distributions paid and payable

No distributions have been paid during the year to 30 June 2010 and no distributions are payable at 30 June 2010. Distributions reinvested in 2009 amounted to $339,400.

16. Accumulated Losses

	2010 $,000	2009 $,000
Opening balance	(128,685)	(57,354)
Net profit/(loss) for the year	26,533	(71,331)
Distributions paid	-	-
Closing balance	**(102,152)**	**(128,685)**

17. Financial risk management and financial instruments

Overview

The Scheme's activities expose it to a variety of financial risks - market risk, credit risk, and liquidity risk.

Following the Note Restructure, the Scheme became a static, investment vehicle holding a range of debt securities with a hold to maturity strategy. Subject to meeting certain criteria, assets may be sold prior to maturity, but no new investments will be made.

Threadneedle (the Investment Manager) will manage and conduct surveillance on the asset portfolio and report to the Responsible Entity and noteholders on a regular basis.

The following summarises the key principles of the monitoring and reporting to be conducted by Threadneedle. The key principles are as follows:

1. Portfolio monitoring

The investment manager will undertake continuous monitoring and surveillance activities for all individual assets in the Scheme Portfolio.

2. Reporting

The investment manager is responsible for the day to day operation of the Scheme with the primary responsibilities for post restructure including:

- Asset Surveillance
- Monitoring of existing asset hedges of the Scheme portfolio
- Execution any Sale of Assets in accordance with the restriction outlined in restructure documents
- Provide monthly valuations for asset and hedge portfolio.
- Monthly Reporting to Noteholders, Creditors and Responsible Entity
- Providing payment directions to the Cashflow and Systems Manager ("CSM") in relation to assets, liabilities and hedge payments
- Maintaining the Note Restructure Cashflow Model

(a) Market Risk

Market risk refers to the potential changes in the market value of the Scheme's investment positions or earnings stream. There are various types of market risks including exposures associated with interest rates, foreign currencies and traded credit risk.

17. Financial risk management and financial instruments (continued)

(i) Interest rate risk

Threadneedle as investment manager of the Scheme manages interest rate exposure by entering into fixed-to-floating interest rate swaps to match interest rate profiles of its financial assets to financial liabilities, ensuring 100% of its interest rates on financial assets and liabilities are floating. Borrowings issued at variable rates expose the Scheme to cash flow interest rate risk. Borrowings issued at fixed rates also expose the Scheme to fair value interest rate risk.

The Scheme manages interest rate exposure by adjusting the ratio of fixed interest debt to variable interest debt to the target rates, as required by the debt management policy. Where the actual interest rate profile on the physical debt profile differs substantially from the desired target, interest rate swaps are used to manage the Scheme's exposure to interest rate risk. The derivative financial instruments are cross currency swaps and fixed-to-floating interest rate swaps. Such derivative financial instruments have the economic effect of converting assets and liabilities from fixed interest rate to variable interest rate. Under the interest rate swaps, the Scheme agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Fixed interest rate swaps currently in place cover 100% (2009: 100%) of the asset principal outstanding and are timed to expire at the maturity or matched to the amortisation of the underlying assets. The variable rates are between 0.31% and 1.77% (2009: 0.26% and 1.6%) above the 90 day bank bill rate which at balance date was 4.92% (2009: 3.19%). The swaps mature over the next ten years in line with the maturity of the related loans.

The interest rate swap contracts require settlement of interest receivable on a gross basis each 90 days. The settlement dates of the interest payable on the contracts are made on a gross basis and coincide with the dates on which interest is receivable on the underlying financial assets.

Sensitivity analysis
No sensitivity analysis has been included in these financial statements as any risk is fully hedged.

(ii) Currency risk

The Scheme is exposed to currency risk as a result of investments in financial instruments denominated in a currency other than the functional currency (Australian dollars) of the Scheme. The Scheme is exposed to foreign currency risk from fluctuations in the United States dollar, New Zealand dollar and the Euro. The Scheme has adopted a risk management policy to hedge financial instruments denominated in foreign currencies by entering into cross currency swaps and interest rate swaps. The Australian dollar income stream of the hedged instrument does not fluctuate for the life of the investment as a result of this hedging policy. The Scheme's exposure to currency risk is in relation to the Euro, the New Zealand and the United States dollar. The net exposure at 30 June 2010 was USD$655,857, EURO€1,699 and NZD$11,744 (2009: USD$432,301, EURO€1,794 and NZD$10,294).

17. Financial risk management and financial instruments (continued)

Sensitivity analysis

A 10% movement at 30 June 2010 would have increased/(decreased) the net assets attributable to unitholders and profit or loss from operating activities by the amounts shown below. Given that the Scheme hedges its assets (with the exception of cash), the impact on the profit or loss from operating activities would be mitigated due to the existence of the swap. This analysis assumes that all other variables held constant. The analysis was performed on the same basis for 2009. Amounts stated below show the effect of each individual currencies, however is stated in Australian dollars.

			2010			2009
Total exposure to foreign currency:	**USD**	**EUR**	**NZD**	**USD**	**EUR**	**NZD**
10 percent increase of AUD						
Net exposure (AUD)	76,735	243	951	53,173	312	824
10 percent decrease of AUD						
Net exposure (AUD)	(76,735)	(243)	(951)	(53,173)	(312)	(824)

(iii) Credit spread risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. Refer to above disclosures for credit spread risk analysis.

(b) Credit risk (Receivable risk)

At the end of reporting date 18% (2009: 15.5%) of the Scheme's gross assets relate to an exposure to investment grade loans provided to Mobius Financial Services Pty Limited. These loans are secured by a registered charge over the mortgage assets within NCM 03, NCM 04 and AllMortgage Trust. Other than the loan to Mobius Financial Services Pty Limited there are no other significant concentrations of credit risk, assessed as any counterparty positions in excess of 10%. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

The following table summarises the credit rating for the Scheme's assets.

Rating	30 Jun 2010 $,000	30 Jun 2009 $,000
AAA	28,482	39,010
AAA - AA+	11,404	10,800
AA	4,737	2,174
AA-	4,661	4,351
A+	13,854	38,011
A+ - BB+	21,607	36,474
A	77,225	101,887
A - AA	17,714	29,160
A-	94,884	89,754
A- - BBB	6,317	13,443
BBB+	21,973	30,211
BBB	6,000	9,896
BBB-	16,901	15,863
BB+	47,000	47,000
BB	4,453	9,467
BB- - D	7,258	6,896
B+	4,715	5,769
CCC-	11,285	9,042
#	68,037	180,357
	468,507	**679,565**

\# Denotes private rating.

17. Financial risk management and financial instruments (continued)

The following table summarises the credit risk of the Scheme's financial assets by assessing the age of financial assets. It also details financial assets that are individually impaired and a description of collateral held where relevant.

	Total $'000	Neither past due nor impaired $'000	Past due but not impaired < 30 days $'000	30-60 days $'000	60-90 days $'000	>120 days $'000	Collectively impaired $'000	Individually impaired $'000
2010								
Cash and cash equivalents	19,156	19,156	-	-	-	-	-	-
Trade and other receivables	4,554	4,554	-	-	-	-	-	-
Financial assets at fair value through profit or loss	400,470	400,470	-	-	-	-	-	-
Loan assets held at amortised cost	68,037	68,037	-	-	-	-	-	-
- fixed interest rate	68,037	68,037						
- floating interest rate	-	-						
Derivative financial instruments	7,690	7,690	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-
Total	499,907	499,907	-	-	-	-	-	-
2009								
Cash and cash equivalents	18,648	18,648	-	-	-	-	-	-
Trade and other receivables	6,703	6,703	-	-	-	-	-	-
Financial assets at fair value through profit or loss	499,208	499,208	-	-	-	-	-	-
Loan assets held at amortised cost	180,357	180,357	-	-	-	-	-	-
- fixed interest rate	79,857	79,857						
- floating interest rate	100,500	100,500						
Derivative financial instruments	15,964	15,964	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-
Total	720,880	720,880	-	-	-	-	-	-

Of the unrated loan assets of $68,037,000 (2009: $180,357,000), $68,037,000 (2009: $154,014,000) are supported by collateral of $247,900,454 (2009: $266,900,000). Collateral over loan assets consists of aircraft for Qantas assets and a loan to CRC Gosford Pty Ltd which was used to purchase property in Gosford.

17. Financial risk management and financial instruments (continued)

(c) Liquidity risk

Liquidity risk includes the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

The Scheme addresses liquidity risk through:

- Cashflow waterfalls set out in the Note and Security Trust Deed. In this way, expenses and costs will be determined and paid in the documented order of priorities. The waterfalls also contain mechanisms to top up the various funding reserves if their balances reduce below the target level;
- Maintenance of a minimum balance of $13,000,000 in a Liquidity Reserve comprised of cash and cash equivalents. This reserve will be maintained until the PT Note Balance is fully repaid;
- Maintenance of a minimum balance of $1,000,000 in an Unscheduled Expense Reserve. As set out above, this reserve is topped up at each payment date if its balance falls below the $1,000,000 target balance; and
- Matching asset and liability maturities where possible.

The following table analyses the Scheme's financial liabilities and gross settled derivative financial instruments into relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows (includes both interest and principal cash flows). The total of these amounts is the gross nominal cash flows. The table below discloses these amounts in various time frames.

The Scheme does not have access to any undrawn borrowing facilities.

17. Financial risk management and financial instruments (continued)

	Carrying Amount $,000	Gross nominal $,000	Residual contractual maturities Less than 1 month $,000	1-3 months $,000	3 months to 1 year $,000	1-5 years $,000	>5 years $,000
2010							
Non-derivatives							
Trade and other payables	778	778	778	-	-	-	-
Interest-bearing loans and borrowings	438,780	495,766	12,075	33,052	102,071	210,211	138,357
Total non-derivatives	439,558	496,544	12,853	33,052	102,071	210,211	138,357
Derivatives							
Derivative financial instruments (Inflows)	333,981	392,722	22,741	25,358	76,045	139,610	128,968
Derivative financial instruments (Outflows)	(334,379)	(394,412)	(22,455)	(24,400)	(74,725)	(139,071)	(133,761)
	(398)	(1,690)	286	958	1,320	539	(4,793)
2009							
Non-derivatives							
Trade and other payables	1,703	1,703	1,703	-	-	-	-
Interest-bearing loans and borrowings	658,874	772,477	7,251	106,479	87,759	359,853	211,135
Total non-derivatives	660,577	774,180	8,954	106,479	87,759	359,853	211,135
Derivatives							
Derivative financial instruments (Inflows)	418,454	496,986	9,415	18,829	81,057	249,157	138,528
Derivative financial instruments (Outflows)	(437,065)	(526,742)	(9,074)	(18,148)	(77,736)	(238,818)	(182,966)
	(18,611)	(29,756)	341	681	3,321	10,339	(44,438)

(d) Fair Value

(i) Hierarchy

The following table classifies financial instruments recognised in the statement of financial positions according to the hierarchy stipulated in AASB 7 *Financial Instruments: Disclosures* as follows:

- Level 1: the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: a valuation techniques is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3: a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

Comparative information has not been provided as permitted by the transitional provisions of the new rules.

17. Financial risk management and financial instruments (continued)

At 30 June 2010	**Level 2 $'000**	**Level 3 $'000**	**TOTAL $'000**
Assets			
Financial assets at fair value through profit or loss	216,464	184,006	400,470
Derivatives	7,690	-	7,690
Total assets	224,154	184,006	408,160
Liabilities			
Derivatives	8,088	-	8,088
Total Liabilities	8,088	-	8,088

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

	Financial Assets at Fair Value $'000
Opening Balance	237,308
Sales	(48,169)
Gain or loss recognised in profit or loss	(5,133)
Closing Balance	184,006
Total gains or losses for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year	(5,133)

No transfers occurred between levels during the year.

Sensitivity Analysis

For investments in financial assets at fair value classified under level 3, if the discount margin used in the valuation model was increased / decreased by 300 basis points, this would have resulted in the following increase / decrease in fair value.

	Favourable		**Unfavourable**	
	Profit and Loss $,000	**Equity $,000**	**Profit and Loss $,000**	**Equity $,000**
Financial Assets at Fair Value	10,694	(10,694)	(10,694)	10,694
Total	**10,694**	**(10,694)**	**(10,694)**	**10,694**

17. Financial risk management and financial instruments (continued)

(e) Capital risk management

Following the Note Restructure, the Scheme became a static, investment vehicle holding a range of debt securities with a hold to maturity strategy. Subject to meeting certain criteria, assets may be sold prior to maturity, but no new investments will be made.

Accordingly, the majority of capital management tasks have been removed from the investment manager's discretion.

Going forward, the investment manager will manage and conduct surveillance on the asset portfolio and report to the Responsible Entity and noteholders on a regular basis.

18. Related parties

(a) Responsible entity

The Responsible Entity of the Scheme is The Trust Company (RE Services) Limited, formerly known as Permanent Investment Management Limited.

(b) Key management personnel

Key management personnel include persons who were directors of the Responsible Entity at any time during the reporting period, as follows:

Directors and Officers

The Trust Company (RE Services) Limited

The Directors and Officers of the Responsible Entity during the whole of the year and up to the date of signing these financial statements are:

- John Atkin
- Michael Britton
- Vicki Allen
- David Grbin
- Adrian Lucchese – Joint Company Secretary
- Sally Ascroft (appointed 02/11/2009) – Joint Company Secretary

Sally Ascroft acted as an alternate director for David Grbin for the period 24 June 2010 to 1 August 2010.

The Scheme does not directly employ any key management personnel. Instead, the provision of management services, including that provided by the Fund Manager, is and was provided by the investment manager Threadneedle for which it is and was entitled to receive a management fee. The level of the management fee is unrelated to the remuneration of the key management personnel. None of the directors of the Responsible Entity are remunerated by the Scheme. Details of fees paid to the Former investment manager and Threadneedle appear at Note 18(c). No further disclosures regarding management remuneration are included in these statements.

18. Related parties (continued)

(c) Transactions with the Responsible Entity and its associates

Responsible Entity's fees and other transactions

The Responsible Entity will receive a flat fee of $330,000 per annum paid monthly in arrears.

Transactions between the Scheme and other entities associated with the Responsible Entity

The Responsible Entity does not derive fees or income from the Scheme other than the agreed Responsible Entity Fees.

(d) Transactions with the Investment Manager, the Former Responsible Entity and its associates

	2010 $	2009 $
Amounts recognised as expense		
Former Responsible Entity administration fees - Allco Managed Investment Funds Limited	-	63,081
Former investment manager management fees - Allco Managed Investment Funds Limited	-	77,067
investment manager management fees - Threadneedle	867,894	412,556
	867,894	552,704

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

	2010 $	2009 $
Liabilities		
Former Responsible Entity administration fees - Allco Managed Investment Funds Limited	-	6,640
Investment manager management fees	220,000	338,056
Fees paid by Allco Finance Group on behalf of Max Trust	-	990
	220,000	345,686

The Scheme holds a number of loans receivable from entities associated with the Former Responsible Entity (AMIFL). These loans are on normal commercial terms and conditions and were originated in prior years.
There were no other transactions with related parties of the Scheme during the year. No loans were provided to or received from related parties of the Scheme during the year.

19. Earnings per unit

Basic and diluted earnings per unit are both calculated using the net profit of $26,532,890 for the financial year ended 30 June 2010 (2009: loss of $71,330,866).

	2010 Cents	2009 Cents
Basic earnings/(loss) per unit	15.0	(40.6)
Diluted earnings/(loss) per unit	15.0	(40.6)
	Number of units	**Number of units**
Weighted average number of ordinary units used in the calculation of basic earnings per unit	176,439,524	175,532,010
Weighted average number of ordinary units used in the calculation of diluted earnings per unit	176,439,524	175,532,010
Weighted average number of fully paid ordinary units		
Potential ordinary units:		
- Options	-	-
Total weighted average number of ordinary units and potential ordinary units used in the calculation of diluted earnings per unit	176,439,524	175,532,010
Net Profit/(Loss)	26,532,890	(71,330,866)

20. Reconciliation of cash flows from operating activities

	2010 $,000	2009 $,000
Profit/(Loss) for the year	26,533	(71,331)
Amortisation of capitalised expenses	270	653
Amortisation of deferred income	(107)	(136)
Amortisation on premium/discount	(89)	(247)
GST recovered	-	(81)
Net (gain)/loss on financial assets held at fair value through profit or loss	(37,109)	66,976
Net (gain)/loss on loan assets held at amortised cost	2,044	1,618
Changes in operating assets and liabilities		
- (Increase) decrease in receivables	2,149	(1,757)
- (Increase) decrease in derivative financial instrument assets	(1,191)	38
- Increase (decrease) in trade and other payables	(925)	(653)
- Increase (decrease) in interest accrued on borrowings	11,568	6,125
Net cash flow from operating activities	**3,143**	**1,205**

21. Non-cash investing and financing activities

	2010 $,000	2009 $,000
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	-	339
	-	339

22. Events occurring after the reporting date

The directors of the Responsible Entity are not aware of any matter or circumstance that has occurred since end of reporting date that would impact the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2010 or on the results and cash flows the Scheme of the year ended on that date.

23. Contingencies

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

24. Correction Prior Period Error

During the preparation of these financial statements, issues were identified with the accuracy of prior period end accounting estimates in relation to the carrying values of derivative financial assets and liabilities, loans at amortised cost, interest bearing loans and borrowings (including the deferred margin), debt establishment costs, operating expenses and interest receivable and payable.

This has resulted in restatements to gross up the Statement of Financial Position in relation to derivatives which were previously presented on a net basis, as well as adjustments to the previously reported net carrying values of derivatives, loans and trade receivables and payables. Interest accrued on the deferred margin has been restated to include a discount factor to record the liability at present value as the interest is not payable until the principal amount of the debt has been repaid in full. Capitalised debt establishment fees relating to the borrowings in place prior to the restructure have been restated to show an expense in the year the debt was extinguished together with a loss on extinguishment. Capitalised debt establishment fees in relation to the new arrangement (namely legal fees), have been capitalised and will be amortised over the life of the new debt. Some operating expenditure paid in the current year, related to the prior year has been restated and recorded as accrued expenses in the prior year. There are also corresponding adjustments in the prior year statement of comprehensive income in relation to interest income/ expense, net losses on financial instruments and operating expenses. The effect of these restatements is summarised below. Opening accumulated losses as at 1 July 2009 have been reduced by $7.8m, which is the amount of the adjustment relating to the 6 months ended 30 June 2009.

There was no impact on the comparative statement of cash flows as a result of the restatement.

24. **Correction Prior Period Error (continued)**

	30 June 2009 Previously Stated $,000	30 June 2009 Adjustments $,000	30 June 2009 Restated $,000
Statement of Comprehensive Income			
Interest and yield related income	54,215	(347)	53,868
Net (loss)/gain on financial instruments	(71,773)	4,797	(66,976)
Finance Costs	(58,730)	3,543	(55,187)
Other operating expenses	(2,781)	(132)	(2,913)
Auditors remuneration	(81)	(42)	(123)
(Loss)/profit for the year attributable to unitholders of the Scheme	(79,150)	7,819	(71,331)
Basic & Diluted loss per unit	(45.1)	4.5	(40.6)

	30 June 2009 Previously Stated $,000	30 June 2009 Adjustments $,000	30 June 2009 Restated $,000
Statement of Financial Position			
Assets			
Trade and other receivables	3,707	2,996	6,703
Derivative financial instruments - assets	-	15,964	15,964
Loan assets held at amortised cost	179,926	431	180,357
Total adjustments to assets		**19,391**	
Liabilities			
Trade and other payables	(11,359)	9,656	(1,703)
Derivative financial instruments - liabilities	(20,923)	(13,652)	(34,575)
Interest-bearing loans and borrowings	(651,299)	(7,576)	(658,874)
Total adjustments to liabilities		**(11,572)**	
Equity			
Accumulated Losses	136,504	(7,819)	128,685
Total adjustments to equity		**(7,819)**	

Directors' declaration

In the opinion of the directors of The Trust Company (RE Services) Limited, the responsible entity of Max Trust ("Scheme"):

(a) the financial statements and notes, set out on pages 8 to 41, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Scheme as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards, other mandatory professional reporting requirements and the Corporations Regulations 2001; and

(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;

(c) the financial statements and notes have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 1.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

Dated at Sydney this 31st day of August 2010.

Signed in accordance with a resolution of the directors:

Vicki Allen
Director

PRICEWATERHOUSECOOPERS

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Independent audit report to the unitholders of Max Trust

Report on the financial report

We have audited the accompanying financial report of Max Trust, 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 for Max Trust ("the Scheme").

Directors' responsibility for the financial report

The directors of the responsible entity of the 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 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 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Scheme comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 Scheme'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.

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.

PRICEWATERHOUSECOOPERS

Independent audit report to the unitholders of Max Trust (continued)

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 Max Trust is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Scheme's financial position as 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;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Cooper

Chris Cooper
Partner

Sydney
31 August 2010

Corporate Governance Statement

General

The directors of The Trust Company (RE Services) Limited (formerly Permanent Investment Management Limited) ("the **Responsible Entity**") as Responsible Entity of Max Trust ARSN 115 268 669 ("**MXQ**" or "**the Scheme**") consider that good quality corporate governance practices provide the framework for effective systems and business operations to deliver utmost value to MXQ's unitholders and other stakeholders. The Responsible Entity's role is to act in the best interests of the unitholders of MXQ.

The Trust Company (RE Services) Limited is wholly owned by The Trust Company Limited ("**The Trust Company**"). The operations of MXQ are governed by the:

- Trust Deed and the Constitution;
- Corporations Act 2001;
- ASX Listing Rules ;
- Compliance Plan;
- Relevant services agreements; and
- General law.

The Responsible Entity is responsible for MXQ's overall operation and administrative functions including the:

- preparation of financial statements, notices and reports; and
- monitoring of MXQ's service providers including registry, management and custody.

Structure

MXQ has invested in money market securities, debt securities and investment grade loans in addition to interest rate and foreign currency derivatives. It provides investors with a fixed interest style return through exposure to investments in mortgage loans and other debt-based securities.

On 23 December 2008, MXQ announced the successful negotiation of the Note Restructure Agreement that contained terms to allow the extension of the debt facilities with a view to allowing MXQ to hold assets to maturity rather than sell them into a very volatile and turbulent market. On 22 June 2009 MXQ announced to the market that it had effected a restructure of its debt on 19 June 2009. Under the terms of the Note Restructure Agreement:

- The Scheme undertakes not to dispose of assets at less than certain specified percentages of par value and unless certain other conditions are met and the approval of the noteholders is obtained.

- The Scheme undertakes not to pay any cash distributions to the Scheme unitholders until all amounts owing to noteholders have been paid in full. The Scheme will retain the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.

Following the Note Restructure, the Scheme became a static, triggerless investment vehicle holding a range of debt securities with a hold to maturity strategy. Subject to meeting certain criteria, assets may be sold prior to maturity, but no new investments will be made.

Threadneedle International Ltd ("**the Investment Manager**") will manage and conduct surveillance on the asset portfolio and report to the Responsible Entity and noteholders on a regular basis.

Pursuant to the Investment Management Agreement between the Responsible Entity and the Investment Manager, the Investment Manager, is responsible for the performance of certain management services for the Responsible Entity in respect of the Scheme including:

- Asset Surveillance
- Monitoring of existing asset hedges of the Scheme portfolio
- Execution any Sale of Assets in accordance with the restriction outlined in restructure documents
- Monthly NTA calculations
- Monthly Reporting to Noteholders, Creditors and Responsible Entity
- Providing payment directions to the Cashflow and Systems Manager ("CSM") in relation to assets, liabilities and hedge payments
- Maintaining the Note Restructure Cashflow Model

ASX Corporate Governance Principles

As a listed entity and a managed investment scheme, MXQ is also required to comply with the ASX Listing Rules and provide a statement in MXQ's annual report disclosing the extent to which the Responsible Entity has followed the Corporate Governance Principles and Recommendations. Below, The Responsible Entity addresses each of the eight principles for the period 25 June 2009 to 30 June 2010. Prior to this date the Responsible Entity was Allco Managed Investment Funds Limited (**"the Former Responsible Entity"**). This corporate governance statement is current as at 31 August 2010.

Principle 1
Lay solid foundations for management and oversight

Role of the board and management
The structure and role of the boards of the Responsible Entity and of any of the relevant appointed Service Providers are designed to provide maximum value to investors in terms of ensuring appropriate oversight of their relevant activities. The Responsible Entity has a constitution which sets out, amongst other things, the appointment and removal procedures for directors, board meeting requirements and remuneration policies. Internal procedures have been developed for:

- monitoring business risk;
- appropriate oversight of business units;
- compliance with regulatory requirements, scheme compliance plan and constitution; and
- monitoring of third party service providers.

The Responsible Entity's directors, along with management, have the role of ensuring that the Responsible Entity complies with its obligations as Responsible Entity of MXQ. The board (**"Board"**) meets monthly to consider client activities of the Responsible Entity and any relevant compliance matters. The Responsible Entity's management elevates relevant compliance matters to its Audit, Risk & Compliance Committee (**ARCC**).

The Responsible Entity is accountable to unitholders. In addition, The Responsible Entity is responsible for MXQ's overall operation, its regulatory and compliance obligations, and its administrative functions.
The Responsible Entity regularly reviews and monitors the performance of MXQ's affairs and activities so that they are conducted in the best interest of unitholders.

These functions include:

- maintaining high ethical and business standards;
- ensuring the preparation, review and approval of annual and half yearly financial statements, preparation of notices and reports to unitholders, ASX and other regulators;
- consultation with the Investment Manager;
- monitoring and responsibility for certain specialist external service providers to assist the Responsible Entity from time to time in the proper, efficient and timely delivery of services;
- compliance with a constitution that sets out amongst other things the appointment and removal procedures for the director's, meeting rules and requirements and disclosure procedure;

- maintaining internal procedures for monitoring business risk and ensuring appropriate oversight of MXQ's compliance plan and constitution;
- empowering management of the Responsible Entity to report compliance matters relating to MXQ to the Board and ARCC;
- The Trust Company as the parent of the Responsible Entity, providing executive directors, responsible managers and company secretarial functions for the Responsible Entity. Those directors along with internal management have the ongoing task of ensuring the Responsible Entity complies with its obligations as Responsible Entity of MXQ; and
- ensuring all available relevant information in connection with the MXQ is discussed at meetings of the Board.

Principle 2
Structure the board to add value

Both the Responsible Entity and the Investment Manager add value through being completely independent of each other with no common directors and no related party interests between the two entities. This ensures no conflicts of interest when discretionary decisions are required of either entity.

The Responsible Entity currently has four executive directors which meet monthly to consider the operational activities, financial performance of the Responsible Entity business. The directors are provided by the Responsible Entity's parent company, the Trust Company Limited.
The procedures for selecting a Chairman, powers of the Board, appointment, removal and remuneration of Directors, Board meeting requirements and other related matters are set out in the Responsible Entity's constitution.

New director's are fully briefed on the terms and conditions of their appointment by The Trust Company executives and undertake an induction program to familiarize themselves with the Responsible Entity and its business operations.

As each Director of the Responsible Entity is an executive of The Trust Company, the ARCC is comprised of a majority of external members (non The Trust Company executives) and has been established to meet the requirements of Chapter 5C of the Corporations Act. In addition, the independence of the external members meets the requirements of section 601JA(2) of the Corporations Act. The Trust Company has structured itself so that the Responsible Entity's role as responsible entity of MXQ adds real value through its focus on compliance with the regulatory requirements and its overarching responsibility to act in the best interests of unitholders.

Principle 3
Promote ethical and responsible decision-making

The Responsible Entity is committed to maintaining the highest standards of integrity with respect to its role as the Responsible Entity and seeks to ensure all its activities in regard to MXQ are undertaken with efficiency, honesty and fairness. The Responsible Entity has various policies and procedures in addition to a Code of Conduct and Share Trading Policy that applies to all directors and employees without exception. All codes and policies are designed to promote integrity, responsibility, accountability and adherence to relevant legislation. They apply to the directors and officers of the Responsible Entity as a member of the The Trust Company group and Responsible Entity of MXQ.

Principle 4
Safeguard integrity in financial reporting
The Responsible Entity has engaged service providers to assist in the preparation of the half year and annual financial statements for MXQ. These financial statements are audited by an external auditor whose report is provided to the Responsible Entity Board. The current auditor is PricewaterhouseCoopers.

The Responsible Entity meets with the service providers, the Investment Manager and the external auditor to discuss the audit plan and scope prior to each financial year end. The audit report is tabled for the Board's consideration and approval.

The Responsible Entity reviews the financial statements and provides formal statements to the Board confirming that MXQ's financial reports present a true and fair view, in all material aspects, of the MXQ's financial condition, and that operational results are in accordance with MXQ's constitution and relevant accounting standards. In addition, it confirms that the statements are founded on a sound system of risk management and internal compliance and control which implements policies adopted by the Board.

Principle 5
Make timely and balanced disclosure

The Responsible Entity has continuous disclosure procedures to ensure MXQ's compliance with ASX Listing Rules and the Corporations Act. Service providers to MXQ under outsourcing arrangements are required to adhere to the ASX listing rules in terms of continuous disclosure requirements and must report to the Responsible Entity instances where a disclosure obligation is required. The Responsible Entity has procedures in place to monitor the compliance of service providers with these requirements. The Company Secretary of the Responsible Entity is responsible for disclosures to the ASX in relation to the continuous disclosure obligations of MXQ.

Principle 6
Respect the rights of unitholders

The Responsible Entity is committed to providing timely and accurate information concerning the MXQ to its unitholders. MXQs compliance plan and constitution further set out the Responsible Entity's obligations and the rights of unitholders in this regard.

The Annual Report of MXQ comprising the financial statements is sent to unitholders each year. The Annual Report includes the ASX Listing Rule disclosure requirements and although registered schemes are not required to hold meetings of unitholders, the constitution of MXQ provides for such meetings if and when required.

Under the Investment Management Agreement the Investment Manager is required to ensure any actions or decisions it makes does not breach the terms of MXQ's constitution or any relevant law or transaction document in relation to MXQ which could adversely affect rights of unitholders.

Principle 7
Recognise and manage risk

Under the Investment Management Agreement the Investment Manager is required to:

- ensure that it regularly and adequately trains its representatives and agents so that they have the necessary competencies to deliver the services required
- establish and maintain adequate risk management systems
- use its best endeavours to ensure that it complies with any legislative requirements directly applicable to the Investment Manager and its activities
- notify the Responsible Entity in writing immediately regarding any event which may trigger the enhanced disclosure provisions of the Corporations Act.

The Responsible Entity values the importance of robust risk management systems and, with its parent the Trust Company, has established an ARCC to support the compliance obligations of the MXQ with respect to its corporate governance and risk responsibilities.

The ARCC is comprised of a majority of external members skilled in the areas of audit, risk and compliance. The ARCC is responsible for the oversight of risk management and internal control systems for the Responsible Entity. It reviews internal and external audit processes and monitors the Responsible Entity's compliance with laws and regulations. The ARCC meets regularly with the the Trust Company's Executive Team, senior management and external advisers, and reports directly to the The Trust Company and Responsible Entity Boards.

The Responsible Entity has a formal risk management program in place which has been adopted from its parent entity, The Trust Company. It is based on Standards Australia AS/NZS4360:2004-Risk Management Standard and includes policies and procedures to identify and address material financial and non-financial risks.

The Trust Company also maintains an independent internal audit function which reports directly to ARCC and the Responsible Entity's Board if necessary.

Principle 8
Remunerate fairly and responsibly

Remuneration policies are in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve the performance of The Trust Company and its controlled entities. As The Trust Company is the parent of the Responsible Entity it provides executive directors and internal management for the Responsible Entity. Directors and internal management of the Responsible Entity are remunerated by The Trust Company and not by MXQ.

The Responsible Entity's fees are set out in the constitution for MXQ. Both the Responsible Entity and the Investment Manager monitor all fees and expenses paid from MXQ to ensure they are allowable under MXQ documentation.

Other Information

All data below is quoted as at the end of trading on 14 July 2010.

Distribution of ordinary units

Range	Holders	Units	% Capital
1-1,000	276	58,057	0.03%
1,001-5,000	270	962,862	0.54%
5,001-10,000	395	3,458,259	1.96%
10,001-100,000	1,151	40,831,291	23.15%
100,000 +	223	131,129,055	74.32%
Total	**2,315**	**176,439,524**	**100.00%**

Largest unitholders

The names of the 20 largest holders of ordinary units.

Name	Units	% Capital	Rank
HSBC Custody Nominees (Australia) Limited	12,607,983	7.15%	1
Allco Funds Management Limited	10,000,000	5.67%	2
Capri Trading Pty Ltd	10,000,000	5.67%	3
Equity Trustees Limited	4,641,031	2.63%	4
Dahlenburg Superannuation Pty Ltd	4,000,000	2.27%	5
Mr Rodney Pryor & Mrs Jennifer Pryor	2,990,000	1.69%	6
Mr James Meloy	2,733,923	1.55%	7
Citicorp Nominees Pty Ltd	2,193,999	1.19%	8
ABN Amro Clearing Sydney Nominees Pty Ltd	2,091,000	1.18%	9
CIMB-GK Securities Pty Ltd	2,089,166	1.18%	10
Mr Huy Dinh Tran	2,000,001	1.13%	11
Leopard Asset Managmeent Pty Ltd	2,000,000	1.13%	12
Mr Anthony Wilson & Ms Linda Black	1,610,000	0.91%	13
Ashford Pty Ltd	1,500,000	0.85%	14
Mr Anthony Wilson	1,453,147	0.82%	15
Hibbs Nominees Pty Ltd	1,306,858	0.74%	16
RBC Dexia Investor Services Australia Nominees Pty Ltd	1,263,329	0.72%	17
Equity Trustees Limited	1,106,365	0.63%	18
BT Portfolio Services Limited	1,095,000	0.62%	19
Bond Street Custodians Limited	1,050,035	0.60%	20

Voting rights

Ordinary unit holders are entitled to one vote.

Buy back

There is no current on market buy back.

Marketable parcels

The number of holders with less than a marketable parcel of ordinary units is 517.

Unquoted securities

There are no unquoted securities on issue.

Stock exchanges
Max Trust (MXQ) securities are only listed on the Australian Securities Exchange.

Secretary
The Trust Company (RE Services) Limited is the responsible entity of Max Trust.
Mr Adrian Lucchese and Ms Sally Ascroft (appointed 02/11/2009) are Joint Company Secretaries of the Responsible Entity.

Voluntary escrow
There are no restricted securities of Max Trust or securities subject to voluntary escrow.

Registered office of Responsible Entity
The Trust Company (RE Services) Limited
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