APPENDIX 4E

Annual Report
For the year ended 30 June 2013

Name of entity: Max Trust

1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

Current Reporting Period:	**12 months to 30 June 2013**
Previous Corresponding Period:	12 months to 30 June 2012

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

		2013 ($000)	2012 ($000)
2.1	Revenue from ordinary activities	up 532.69% to 23,846	3,769
2.2	Profit (loss) from ordinary activities after tax attributable to members	up 194.51% to 12,301	(13,015)
2.3	Net profit (loss) for the period attributable to members	up 194.51% to 12,301	(13,015)

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

2.5 Record date for determining entitlements to the final 2013 distribution (if any) is 30 June 2013
No distribution was declared or paid for the year ended 30 June 2012

2.6 An explanation of results is indicated on page 4 of the annual financial report

7 DETAILS OF INDIVIDUAL AND TOTAL DIVIDENDS OR DISTRIBUTIONS AND DIVIDEND OR DISTRIBUTION PAYMENTS
No distribution was declared or paid for the year ended 30 June 2013 (30 June 2012: Nil)

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

9 NET TANGIBLE ASSETS PER SECURITY

NTA per security as at 30 June 2013	**$0.42**
NTA per security as at 30 June 2012	$0.35

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

11 DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES
Not applicable

12 ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE ENTITY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION
Refer to the annual financial report and notes attached thereto

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

Additional Appendix 4E disclosure requirements can be found in the annual financial report.

This report is based on the annual financial report which has been subject to an audit by PricewaterhouseCoopers.

Max Trust
ARSN: 115 268 669

Annual Financial Report

30 June 2013

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Directors' Report

The Trust Company (RE Services) Limited, ABN 45 003 278 831, AFSL 235150 (the "Responsible Entity"), is the responsible entity of Max Trust ("Scheme"). The Directors of the Responsible Entity present their report, together with the financial statements of the Scheme, for the year ended 30 June 2013.

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 15, 20 Bond 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
- Andrew Cannane
- David Grbin
- Rupert Smoker (Alternate Director for John Atkin, Andrew Cannane and David Grbin)

No Director or Officer of the Responsible Entity during the whole year and up to the date of this report:

- held a relevant interest in units of the Scheme;
- held any rights or options over interests in the Scheme;
- held any contracts to which a Director or Officer are a party or under which they are entitled to a benefit and that confer a right to call for or deliver interests in the Scheme.

Principal activities

The Scheme is a registered managed investment scheme which has invested in money market securities, debt securities and investment grade and privately rated 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.

As disclosed in Note 1(b) to the financial statements, the directors of the Responsible Entity have determined to prepare the Scheme's financial statements on a liquidation basis, whereby assets not previously reported at fair value are now valued at the lower of carrying value or fair value less costs to sell. Further information on significant changes in the state of affairs is included below.

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 product disclosure statement dated 4 August 2005 and the terms of the debt restructure announced on 22 June 2009.

Results

The net profit of the Scheme, as presented in the statement of comprehensive income for the financial year ended 30 June 2013, was $12,301,421 (30 June 2012: loss of $13,015,195). The rise in net profit was primarily driven by unrealised gains in the Scheme's European investments and CDO exposures. Interest income decreased by $8,072,835 to $7,459,349 driven by a lower average asset base and to a lesser extent as a result of lower interest rates in Australia.

The Scheme's performance was also aided by the sale of the Scheme's claim against Glitnir Bank. The sale generated net proceeds of approximately $1.7 million, the claim had previously been valued at $nil.

During the year, interest expense decreased from $14,459,146 to $9,153,522 driven by the repayment of principal amounts on Pass Through Notes and lower average interest rates. The Scheme's operating expenses reduced by $422,000 to $1,902,600 as the Responsible Entity focused on the level of operating costs. The prior year operating expenses also included costs associated with work performed by a debt advisor.

Distributions

The distribution of income from the Scheme for the financial year ended 30 June 2013 was $nil (30 June 2012: $nil).

Net Assets

The Scheme held net assets of $73,567,928 at 30 June 2013 (30 June 2012: $61,266,507). The basis for the measurement of the Scheme's net assets is disclosed in Note 1 to the financial statements. During the year the Scheme through a combination of asset sales, maturities and amortisation generated proceeds of $82,788,000 and reduced the principal outstanding on the Pass Through notes by $74,691,402 to $nil as at 30 June 2013 and also made $13,320,174 of payments against the outstanding deferred margin balance, which as of 30 June 2013 stood at $28,988,838.

Noteholder resolutions

Following a request made by the Responsible Entity in early June 2013, BTA Institutional Services Australia Limited (ACN 002 916 396) in its capacity as Security Trustee ("BTA") issued a circular resolution to the holders of the Pass Through Notes requesting that they consider the following amendments to the Pass Through Notes:

i. allowing asset sales via competitive tenders to occur at any time and at prevailing market prices (by removing timing constraints and minimum sale price requirements);
ii. allowing monthly repayments to the holders of the Pass Through Notes, subject to a minimum repayment of $5 million (previously repayments could only be made on a quarterly basis); and
iii. giving the Responsible Entity the ability to set the Liquidity Reserve at $1 million or greater (the Pass Through Notes previously required this reserve to be maintained at $9 million until such time as all secured creditors have been repaid).

BTA deemed that the resolutions were passed by noteholders on 25 June 2013. Following a period allowing for the necessary documentation to be completed the resolutions became effective on 19 July 2013.

Significant changes in the state of affairs

As disclosed in Note 1(b) to the financial statements, the directors of the Responsible Entity have determined it is no longer appropriate to prepare the Scheme's financial statements on a going concern basis, but instead on a liquidation basis, whereby assets not previously reported at fair value are now valued at the lower of carrying value or fair value less costs to sell.

Other than stated above, there have been no significant changes in the state of affairs in the current year. Following the restructure of the debt funding in June 2009, 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 can be made.

Likely developments

Following the above described changes to the terms and conditions of the Pass Through Notes becoming effective on 19 July 2013, the Responsible Entity and Investment Manager (Threadneedle International Limited) now have greater flexibility to dispose of the remaining assets of the Scheme. The amendments are expected to:

i. allow the acceleration of the repayment of the remaining deferred margin to noteholders;
ii. thereby potentially bringing forward the return of capital to Max Trust unitholders.

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

Events occurring after the reporting date

On 15 July 2013 the Scheme received the proceeds from the sale of the Scheme's claim against the Glitnir Bank. Details of this sale were announced to the ASX on 3 June 2013 and the amount was included as a receivable in the financial statements as at 30 June 2013.

The amendments to the Pass Through Notes announced to the ASX on 25 June 2013 (as described above) became effective as of 19 July 2013.

On 20 August 2013 the remaining balance of $29 million outstanding on the deferred margin was repaid. As a result of this all amounts outstanding to Pass Through noteholders have been repaid.

Subsequent to the end of the year the Scheme has disposed of / redeemed the following positions:

- Apollo 2007-1 RMBS
- HBOS Swan Series
- Progress Trust 2006-1
- REDS Trust
- Paragon Mortgages PLC
- Generali Finance
- National Capital Instruments
- National Capital Trust
- Fountain Plaza Trust
- Rock & Rubble
- Sapphire IV NZ RMBS
- Khamsin Credit Products (SGOX-2)
- Khamsin Credit Products (SILK-7)
- Mobius NCM-04 Class M

Events occurring after the reporting date (continued)

The net proceeds from these sales (including settlement of the Fountain Plaza swap and excluding accrued interest) was approximately $74,393,000[1] which compares to the 30 June 2013 value of approximately $73,373,000[2].

Other than the matters described above, the directors are not aware of any other matter or circumstance that have 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 2013 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 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 properly 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. The Responsible Entity is entitled to recover its costs from the Scheme's assets for any additional work required to be carried out in the proper performance of its duties. In addition to the flat fee, the Responsible Entity incurred additional costs of $nil (30 June 2012: $119,000) which includes GST not recoverable from the ATO.

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.

[1] Foreign denominated proceeds have been translated into Australian dollars (AUD) using the actual rates received when the proceeds were converted into AUD.
[2] Includes the value of Fountain Plaza swap and adjusted for the impact of amortisation received during July on Mobius, Progs, Reds and Apollo; foreign currency denominated assets are translated using exchange rates as of 30 June 2013.

Interests in the Scheme

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

	2013 Number of units	2012 Number of units
Ordinary units on issue at the start of the year	176,439,524	176,439,524
Ordinary units issued during the year	-	-
Ordinary units reinvested during the year (DRP)	-	-
Ordinary units on issue at the end of the year	176,439,524	176,439,524

Rounding off of amounts

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 8.

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

David Grbin
Director

Sydney
29 August 2013

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Auditor's Independence Declaration

As lead auditor for the audit of Max Trust for the year ended 30 June 2013, 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

Sydney
29 August 2013

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Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Investment Income			
Interest and yield related income	3	7,459	15,533
Net gain/(loss) on financial instruments	4	16,357	(11,764)
Other income		30	-
Total Investment Income		23,846	3,769
Expenses			
Finance costs	5(a)	9,154	14,459
Other operating expenses	5(b)	1,704	2,110
Auditor's remuneration	6	199	215
Wind-up costs		488	-
Total Expenses		11,545	16,784
Net profit/(loss) for the year attributable to Unitholders of the Scheme		12,301	(13,015)
Other comprehensive income		-	-
Total Comprehensive Income		12,301	(13,015)
		Cents	Cents
Earnings per unit:			
Basic & Diluted earnings per unit	18	6.97	(7.38)

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 2013

	Note	2013 $'000	2012 $'000
Assets			
Cash and cash equivalents	7	10,645	11,428
Trade and other receivables	8	1,523	2,164
Proceeds receivable from sale of investments		1,810	-
Financial assets at fair value through profit or loss	9(a)	97,737	131,517
Derivative financial instruments at fair value through profit or loss	10	-	4,669
Loans and receivables held at amortised cost	9(b)	-	28,923
Total assets		111,715	178,701
Liabilities			
Trade and other payables	11	491	475
Derivative financial instruments at fair value through profit or loss	10	8,179	7,301
Interest-bearing loans and borrowings	12	28,989	109,658
Provision for wind-up costs		488	-
Total liabilities		38,147	117,434
Net assets		73,568	61,267
Equity			
Issued capital			
- Ordinary units	13(a)	154,413	154,413
Accumulated losses	15	(80,845)	(93,146)
Total equity		73,568	61,267

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

Max Trust
Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Accumulated Losses $'000	Ordinary Units $'000	Total $'000
Balance at 1 July 2011		**(80,131)**	**154,413**	**74,282**
Profit/(loss) for the year ended 30 June 2012		(13,015)	-	(13,015)
Other comprehensive income for the year ended 30 June 2012		-	-	-
Total comprehensive income for the year ended 30 June 2012		(13,015)	-	(13,015)
Balance at 30 June 2012		**(93,146)**	**154,413**	**61,267**
Profit/(loss) for the year ended 30 June 2013		12,301	-	12,301
Other comprehensive income for the year ended 30 June 2013		-	-	-
Total comprehensive income for the year ended 30 June 2013		12,301	-	12,301
Balance at 30 June 2013		**(80,845)**	**154,413**	**73,568**

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

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Interest income received		8,052	14,771
Payments to suppliers		(1,839)	(2,182)
Other revenue		30	-
Net cash from operating activities	19	6,243	12,589
Cash flows from investing activities			
Proceeds from redemptions of approved investments		82,788	77,629
Net cash from investing activities		82,788	77,629
Cash flows from financing activities			
Repayment of borrowings		(74,691)	(113,419)
Interest paid		(15,132)	(7,614)
Net cash used in financing activities		(89,823)	(121,033)
Net decrease in cash and cash equivalents		(792)	(30,815)
Cash and cash equivalents at 1 July		11,428	42,226
Effect of exchange rate fluctuations on cash and cash equivalents		9	17
Cash and cash equivalents at 30 June	7	10,645	11,428
Non-cash financing activities		-	-

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 2013 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 29 August 2013.

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, and comply with other requirements of the law. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The Scheme's financial statements and notes comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of preparation

The directors of the Responsible Entity have determined that given the current level of assets remaining and the greater flexibility afforded to the Responsible Entity to dispose of assets following the amendments to the terms and conditions attaching to the Pass Through Notes as described in the Directors' Report, it is no longer appropriate to prepare the Scheme's financial statements on a going concern basis, but instead on a liquidation basis, whereby assets not previously reported at fair value are now valued at the lower of carrying value or fair value less costs to sell.

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 accounting 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.

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

1. Significant accounting policies (continued)

(c) Reporting currency

All balances are reported in Australian dollars unless otherwise stated.

(d) 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. 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.

(e) 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
While the Scheme was a going concern entity, interest income was recognised in profit or loss on an accruals basis, using the effective interest method. Accrued coupons, amortisation of premiums and accretion of discounts were brought to account as interest income on a yield-to-maturity basis in accordance with the terms of the security. Since moving to the liquidation basis of accounting interest continues to be accrued, but the effective interest method is no longer being applied in relation to discounts and premiums. Such discounts and premiums have been recognised in the Statement of Comprehensive Income in the current year.

(f) Finance costs

Finance costs comprise interest expense on borrowings which was calculated using the effective interest rate method and was recognised in profit or loss. Since moving to the liquidation basis of accounting interest expense is accounted for on an accrual basis.

(g) Income tax

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

1. Significant accounting policies (continued)

(h) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties such as audit fees, custodial services and investment management fees have been passed onto the Scheme.

The Scheme qualifies for Reduced Input Tax Credits (RITC's) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses 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.

(i) 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.

(j) Interest and other receivables

In previous reporting periods interest and other receivables were stated at their amortised cost less impairment losses. Under the liquidation basis of accounting, interest and other receivables are stated at the lower of carrying value or fair value less costs to sell.

(k) Investments and other financial assets

In previous reporting periods the Scheme classified its financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables at amortised cost. The classification was dependent upon the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and re-evaluated this designation at each reporting date.

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

Under the liquidation basis of accounting, investments and other financial assets of the Scheme are required to be valued at the lower of carrying value or fair value less costs to sell. The directors of the Responsible Entity have determined that the fair value of the financial assets (i.e. carrying value) is equal to the net realisable value as negligible selling costs are involved in the disposal of the assets.

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. While the entity was a going concern financial assets were measured at fair value at each reporting date. Since moving to the liquidation basis of accounting such assets are measured at the lower of carrying value or fair value less costs to sell. 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.

1. Significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Fair value measurements

Hierarchy

Financial instruments at fair value through profit or loss recognised in the statement of financial position are classified 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).

The assets of the Scheme are classified into Level 1, 2 or 3 by the Responsible Entity in consultation with the Threadneedle International Ltd (the “Investment Manager”). There are currently no Level 1 securities held by the Scheme and therefore the assets are classified as either Level 2 or Level 3. The Level 3 securities have fewer observable inputs than the Level 2 securities and tend to be more thinly traded with fewer recent transactions.

Valuation Technique and Assumptions

<u>Level 1 Valuations</u>
The Scheme does not currently have any securities classified under Level 1.

<u>Level 2 and 3 Valuations</u>
The Investment Manager, who has considerable experience in the management of such securities and has been delegated the responsibility of valuing the assets in the portfolio, exercises judgement over the pricing of the portfolio at each reporting period, and values the assets in the portfolio which are designated at fair value through profit or loss using one of the methods described below. The Investment Manager provides valuation recommendations to the Responsible Entity which are discussed between the parties before adoption in the financial statements.

Due to the inherent uncertainty of valuation, the value of the investments and other financial assets held by the Scheme may differ significantly from the values that would have been used, had a ready market for the investments existed, and these differences could be material to the value of the Scheme and could also vary from the actual sales prices achieved when the assets are sold.

1. Significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Fair value measurements (continued)

Valuation Technique and Assumptions (continued)

I. Third Party Mark

Residential Mortgage Backed Securities, Commercial Mortgage Backed Securities and Financial & Industrial Securities

All of the Scheme's assets designated as fair value through profit or loss (excluding Qantas loans and receivables, Mobius NCM Class M and the Scheme's CDO exposures) are valued using prices obtained from a consensus pricing service provider or, where not available, from the investment bank that arranged the exposure and/or who sold the exposure to the Scheme initially.

Wherever possible the Investment Manager sources independent pricing information from the consensus pricing service provider. These prices are typically based on an average of broker quotes sourced from at least 3 brokers (whose prices in turn are to be based on comparable security analysis and/or recent transactions involving that security). Where a sufficient number of broker quotes are not available, the mark provided by the consensus pricing service provider is to come from its own analysis of comparable securities.

Where the Investment Manager is unable to obtain a price from the consensus pricing service provider it will obtain a price from the investment bank who either sold the exposure to the Scheme or who arranged the exposure. Consistent with the prices obtained from the consensus pricing service provider, the prices provided by the investment bank are also to be based on a comparison of similar securities and/or recent transactions involving that security.

The Investment Manager assesses the prices obtained from the third party sources and exercises its own judgement of the reasonableness of the prices based on its knowledge of debt markets and factors such as:

- comparable securities of similar rating quality and duration / Weighted Average Life;
- newly issued securities of similar rating quality and duration / Weighted Average Life; and
- recent transactions involving that security.

Where the Investment Manager considers it prudent to do so, it will discuss the assumptions underpinning individual security prices with the party that provides the price for that security. These assumptions include, among others:

- Security Cash flows: Assumptions necessary to generate expected cash flows for the individual security. These will vary depending on the type of asset but may include, among others, prepayment rates, future defaults, future interest rates, call options, cash flow waterfall triggers etc.;
- Discount Rates: Assumptions concerning the appropriate discount rates to be used to generate the security price. These include market discount rates for comparable securities with similar credit rating and duration / Weighted Average Lives.

The Level 3 RMBS' are those that primarily consist of non-conforming mortgages. The Level 3 Financial and Industrial securities are those that have certain unobservable inputs. All CMBS' are categorised as Level 3.

1. Significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Fair value measurements (continued)

Valuation Technique and Assumptions (continued)

Collateralised Debt Obligations

The Scheme's CDO exposures are valued using prices provided by the arranger of the CDO. These prices are derived from the arrangers internal proprietary modelling. These models incorporate various assumptions to project future cash flows for the CDO based on expectations such as:

- Credit composition of the underlying reference portfolio including realised losses experienced to date on the tranche;
- Timing, amount and recoveries of future defaults of the underlying reference portfolio;
- Estimation of the default dependence (default correlations) between the underlying reference portfolio;
- Structural features of the CDO tranche including attachment and detachment percentage ; and
- Time to maturity of the tranche.

An appropriate discount rate is then applied in order to determine the security valuation. The Investment Manager monitors the valuation provided by the arranger of the CDO and forms judgement about the reasonableness of such values based on its own knowledge and experience of the market and factors such as:

- comparable securities of similar rating quality and duration / Weighted Average Life;
- newly issued securities of similar rating quality and duration / Weighted Average Life; and
- recent transactions involving that security.

Where the Investment Manager considers it prudent to do so, it will discuss the assumptions underpinning individual assumptions with the party that provides the valuation. The assumptions include, among others:

- Security Cash flows: Assumptions necessary to generate expected cash flows for the individual security. These will vary depending on the type of asset but may include, among others, prepayment rates, future defaults, future interest rates, call options, cash flow waterfall triggers etc.;
- Discount Rates: Assumptions concerning the appropriate discount rates to be used to generate the security price. These include market discount rates for comparable securities with similar credit rating and duration / Weighted Average Lives.
- As some of the inputs for CDO's are unobservable, these are classified as Level 3.

Aircraft loans and receivables – Qantas assets

The realisable value of the Qantas Loans and Receivables have been determined with reference to non-binding indicative bids received and from discussions with market participants. The bids have been provided as a margin to the Australian swap rate and as applicable to the United States swap rates, which provides a yield to maturity. This yield is then applied to the known future cash flows from the bond to determine a value for each position.

1. Significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Fair value measurements (continued)

Valuation Technique and Assumptions (continued)

II. Comparable Securities (continued)

For some securities, it may not be 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 estimates the market spread of these securities using a number of assumptions including, among others:

- industrial classification;
- underlying asset category;
- currency; and
- tenor.

At 30 June 2013 the Scheme had no securities valued using this methodology (30 June 2012: $nil).

II. No Comparable Third Party Marks Available

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

The Scheme historically has adopted a methodology of marking these exposures to par value unless the exposure has experienced permanent impairment. The Scheme currently has one such exposure being:

- Mobius NCM Class M which as at 30 June 2013 was valued at $71,328 (30 June 2012: $159,335).

<u>*Loans and receivables*</u>
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. In previous reporting periods, loans and receivables were held at amortised cost using the effective interest rate method.

Prior to moving to the liquidation basis, loans and receivables were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. An impairment loss was recognised for the amount by which the asset's carrying amount exceeded its recoverable amount. The recoverable amount was 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. Loans and receivables were recognised inclusive of transaction costs.

Following the Responsible Entity's decision to change the basis of preparation to a liquidation basis, the Scheme's remaining loans and receivable assets were reclassified to 'Financial assets at fair value through profit or loss' and are measured at the lower of carrying value or fair value less costs to sell.

1. Significant accounting policies (continued)

(l) 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 option pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

It should be noted that at the time the basis of preparation was changed to a liquidation basis the remaining unamortised balance of the hedge adjustments were written-off in full.

(m) 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. Payables are stated at cost, are unsecured, and are usually paid within 30 days of recognition.

(n) 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.

(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 were 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. However since moving to the liquidation basis of accounting the effective interest method is no longer applied and liabilities are measured at the amounts at which they are expected to be settled.

Interest bearing liabilities are stated net of debt program establishment costs which are amortised to the statement of comprehensive income over the weighted average term of the borrowings.

1. Significant accounting policies (continued)

(p) 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 year.

(q) 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 segment, has been identified as the Responsible Entity.

(r) Distributions

In accordance with the Scheme's 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 undertook not to pay any cash distributions to the Scheme's unitholders until all amounts owing to noteholders, including deferred margin, have been paid in full. The Scheme has retained the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.

(s) Accumulated Losses

Accumulated losses are included in retained earnings.

1. Significant accounting policies (continued)

(t) 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 accounting estimate for the wind-up costs recognised in the Statement of Comprehensive Income, consist principally of professional fees, costs of governance, and other administrative expenses and may vary significantly due to, among other things, the time and effort required to dispose of the remaining assets and complete the wind-up. Refer to the accounting policy included at Note 1(w), for further information on the wind-up costs.

The Scheme also makes accounting estimates and judgements around determining the fair value of assets where there is not a readily determinable market price and historically of future cash flows in relation to the previously discounting of the deferred margin balance to present value. Refer to the accounting policy included at Note 1, for further information on the determination of fair values.

(u) New standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. The Scheme has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Scheme's financial statements.

(ii) AASB 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013)

AASB 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the previously contained AASB 127 'Consolidated and Separate Financial Statements' and INT-112 'Consolidation – Special Purpose Entities'. The Standard identified the principles of controls, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Scheme has a number of investments in securitisation trusts which may meet the definition of control under the Standard. The Scheme has not yet adopted AASB 10 and management is currently evaluating the impact of the adoption of AASB 10 on the Scheme's financial statements, however does not anticipate that this standard will have a significant impact on the Scheme.

1. Significant accounting policies (continued)

(u) New standards and interpretations (continued)

(iii) AASB 12 Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2013)

AASB 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Scheme has not yet adopted AASB 12 and management is currently evaluating the impact of the adoption of AASB 12 on the Scheme's financial statements, however does not anticipate that this standard will have a significant impact on the Scheme.

(iv) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective for accounting periods beginning on or after 1 January 2013)

AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements across IFRSs. The Scheme has not yet adopted AASB 13 and management is currently evaluating the full impact of the adoption of AASB 13 on the Scheme's financial statements, however does not anticipate that this standard will have a significant impact on the Scheme.

(v) Impacts of the IFRS annual improvement project

The annual improvements process is a timely and efficient way to make amendments to IFRS and address inconsistencies within or between standards and areas where the standards are unclear. In most cases the improvements do not change the meaning of the standards, but some may result in changes to the way particular transactions or balances are accounted for by the Scheme. If this is the case, the Scheme may be required to amend certain of its accounting policies.

(w) Provision for wind-up costs

Under the liquidation basis of accounting, the Scheme is required to estimate and accrue the costs associated with disposing of and distributing the Scheme's assets. These costs, described as wind-up costs, consist principally of professional fees, costs of governance, and other administrative expenses. The amounts may vary significantly due to, among other things, the time and effort required to dispose the assets and complete the wind-up. It is reasonably possible that the Responsible Entity's estimates regarding the costs could change in the near term.

2. Segment information

The Scheme is organised into one main business segment which operates in the business of credit arbitrage by borrowing money to lend and invest in different countries and across different industries. 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 property, plant and equipment denominated in foreign currencies, or located in foreign jurisdictions.

Refer to Note 16 for details of foreign currency exposures.

3. Interest and yield related income

	2013 $'000	2012 $'000
Interest on:		
Cash and cash equivalents	465	1,105
Financial assets at fair value through profit or loss	6,213	13,014
Loans and receivables	781	1,414
	7,459	15,533

4. Net gain/(loss) on financial instruments

	2013 $'000	2012 $'000
Unrealised (loss)/gain on financial instruments held at fair value through profit or loss	33,458	(8,464)
Realised (loss)/gain on financial instruments held at fair value through profit or loss*	(13,049)	(2,176)
Hedge adjustment written off in full due to reclassification of loans and receivable assets to financial assets at fair value through profit or loss	(4,052)	(1,124)
	16,357	(11,764)

5. Expenses

(a) Finance costs

	2013 $'000	2012 $'000
Interest and finance charges paid or payable	8,694	14,230
Amortisation of debt establishment costs	460	229
	9,154	14,459

(b) Operating expenses

	2013 $'000	2012 $'000
Investment manager fees	820	805
Responsible entity fees	346	449
Legal expenses	133	99
Other expenses		
Accounting and taxation fees	112	162
Custody fees	131	124
Note rating related costs	24	30
Note restructure costs	-	193
Other	138	248
	1,704	2,110

6. Auditor's remuneration

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

	2013 $	2012 $
Audit Services:		
PricewaterhouseCoopers		
Audit and review services	167,163	192,500
Other audit and review services	31,977	22,660
	199,140	215,160

*Realised (loss)/gain on financial instruments held at fair value through profit or loss represent the difference between the sales price and the remaining cost of the asset after principal repayments. Allowance is also made in unrealised (loss)/gain in the current year for amounts previously recognised in the Statement of Comprehensive Income.

7. Cash and cash equivalents – current assets

	2013 $'000	2012 $'000
Cash at bank and on hand	10,645	11,428
Cash and cash equivalents in the statement of cash flows	10,645	11,428

The $10.6 million (30 June 2012: $11.4 million) cash at bank and on hand disclosed in this note includes the following two reserves which have been established as part of the June 2009 debt restructure:

Liquidity Reserve of $9,016,928 (30 June 2012: $9,023,339); and
Unscheduled Expense Reserve of $995,114 (30 June 2012: $948,146)

Pursuant to the 2009 Pass Through Note Restructure, the Liquidity Reserve comprises of cash at bank and needs to be maintained until all secured creditors (including the Investment Manager, Custodian and Swap Counterparties) have been 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.

Subsequent to year end the amount required to be maintained in the Liquidity Reserve was reduced to a minimum of $1,000,000. Refer to Note 16(c) for further details on the Reserves.

8. Trade and other receivables – current assets

	2013 $'000	2012 $'000
Interest receivable	1,517	2,110
Other receivables	-	51
GST receivable	6	3
	1,523	2,164

9. Financial assets

Under the liquidation basis of accounting, financial assets of the Scheme are valued at the lower of carrying value or fair value less costs to sell. The directors of the Responsible Entity have determined that the fair value of the financial assets (i.e. carrying value) is equal to their net realisable value as negligible selling costs are involved in the disposal of the assets.

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

	2013 $'000	2012 $'000
Held for Trading Securities		
Debt Securities	76,379	131,517
Aircraft loans and receivables	21,358	-
	97,737	131,517

(b) Loans and receivables held at amortised cost

	2013 $'000	2012 $'000
Loans and receivable assets	-	28,923
	-	28,923

The fair value of the Qantas loans and receivables as at 30 June 2012 was $24,902,428. The difference in the fair value and amortised cost of loans and receivables at that time was principally as a result of gains recognised upon the discontinuation of hedge accounting during the 2009 financial year which were being amortised over the remaining maturity of each underlying asset.

Following the Responsible Entity's decision to change the basis of preparation to a liquidation basis, the Scheme's remaining loans and receivable assets were reclassified to 'Financial assets at fair value through profit or loss' and remaining hedging gains were written off in full.

(c) Classification

	2013 $'000	2012 $'000
Current	97,737	47,733
Non-current	-	112,707
	97,737	160,440

9. Financial assets (continued)

(d) Underlying investments

	Mark provider	Note	Fair Value 30 June 2013 $000	Fair Value 30 June 2012 $000
Level 2				
RMBS				
Apollo 2007-1 RMBS**	Consensus price provider		966	1,208
HBOS Swan Series**	Consensus price provider		1,000	1,297
Progress Trust 2006-1**	Consensus price provider		1,740	2,282
REDS Trust**	Consensus price provider		2,952	3,614
SMHL	Consensus price provider		-	2,323
Torrens Trust	Consensus price provider		-	2,548
Paragon Mortgages PLC**	Consensus price provider		5,481	3,611
Total RMBS			12,139	16,883
Industrials and financial bonds				
CFS Retail Property Trust	Consensus price provider		-	2,998
Elm BV	Consensus price provider		-	10,628
Generali Finance**	Consensus price provider		13,049	8,521
Hannover Finance SA	Consensus price provider		-	6,462
Morgan Stanley Inc	Consensus price provider		-	12,850
National Capital Instruments**	Consensus price provider		6,202	4,350
National Capital Trust**	Consensus price provider		10,121	9,383
Total financials and industrials			29,372	55,192
Total Level 2		16(d)	**41,511**	**72,075**
Level 3				
RMBS				
Wide Bay Trust	Consensus price provider		-	914
Sapphire IV NZ RMBS**	Consensus price provider		4,449	3,983
Mobius NCM-03 (Tranche C)	Consensus price provider		-	2,990
Mobius NCM-04 Class M***	Marked to par		71	159
Mobius NCM-04 (Tranche D)	Investment bank		-	16,061
Total RMBS			4,520	24,107
CMBS				
Fountain Plaza Trust**	Consensus price provider		15,143	14,848
Rock & Rubble**	Consensus price provider		5,126	7,415
Total CMBS			20,269	22,263
CDO's				
Khamsin Credit Products (SGOX-2)**	Investment bank		7,609	3,082
Khamsin Credit Products (SILK-7)**	Investment bank		2,470	2,072
Obelisk Trust	Investment bank		-	551
Total CDOs			10,079	5,705
Industrials and financial (including airline) bonds				
Northwest Airlines Inc	Investment bank		-	7,367
Total industrials and financials			-	7,367
Aircraft loans and receivables				
Qantas Airways Limited*	Indicative bids		21,358	-
Total aircraft loans and receivables			21,358	-
Total Level 3		16(d)	**56,226**	**59,442**
Total Level 2 and Level 3		16(d)	**97,737**	**131,517**

* The fair value of the Qantas Loans and Receivables as at 30 June 2012 was at $24,902,428. This fair valuation assessment was calculated with reference to the “Comparable Securities” and “No Comparable Third Party Mark Available” methodologies as described in Note 1(k) to the financial statements. This comparative is provided for information purposes only and is not necessarily comparable with the fair value as at 30 June 2013 and also does not have regard to the impact of changes in each assets respective face value during the year.

** Denotes financial assets which have been sold subsequent to the year end.

*** Redeemed in full subsequent to year end.

9. Financial assets (continued)

(d) Underlying investments (continued)

	Amortised Cost 30 June 2013 $'000	Amortised Cost 30 June 2012 $'000
Qantas Airways Limited	-	28,923
Loans and receivables assets	**-**	**28,923**
Total	**97,737**	**160,440**

10. Derivative financial instruments at fair value through profit and loss

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.

	2013 $'000	2012 $'000
Derivative financial instruments – assets		
Interest Rate and Cross Currency Swaps – Fair Value through Profit or Loss	-	4,669
	-	4,669
Derivative financial instruments – liabilities		
Interest Rate and Cross Currency Swaps – Fair Value through Profit or Loss	8,179	7,301
	8,179	7,301

11. Trade and other payables – current liabilities

	2013 $'000	2012 $'000
Other accrued expenses	491	475
	491	475

12. Interest-bearing loans and borrowings

(a) Loans and Borrowings

	2013 $'000	2012 $'000
Pass Through Notes – Principal	-	74,691
Interest payable - Pass Through Notes	-	104
Interest payable - Deferred Margin	28,989	35,323
Debt related initial costs	-	(460)
	28,989	109,658

As the Responsible Entity expected the deferred margin to be repaid in the near term, the carrying value of the deferred margin at 30 June 2013 represented the full face value of the outstanding balance. The remaining amount outstanding on the deferred margin was repaid on 20 August 2013.

The prior year estimate of the deferred margin expected to be paid as at 30 June 2012 once all the principal amounts of notes had been repaid was $41,164,867. This amount was discounted back to a present value of $35,322,625 as at 30 June 2012.

(b) Classification

	2013 $'000	2012 $'000
Current	28,989	47,733
Non-Current	-	61,925
	28,989	109,658

Under the terms of the Pass Through Notes, principal and deferred margin on the notes is only required to be repaid to the extent that cash is received from the underlying investments. Consequently, the Scheme is only required to repay principal and deferred margin on the notes to the extent that it has sufficient cash to do so. The legal maturity of the Pass Through Notes A1 and A2 is disclosed at the table below. The classification of current / non-current liabilities shown above is based on the estimated timing of cash flows into the Scheme from redemptions and /or collection of income in respect of the Scheme's assets.

A summary of the amended debt facility terms and conditions at 30 June 2013 are:

Class	Amount Outstanding $'000	Coupon	Deferred Margin	Maturity	Ranking
A1	-	BBSW + 2.15%	6.00%	20 December 2039	Pari Passu
A2	-	BBSW + 0.75%	2.00%	20 December 2039	Pari Passu
	-				

12. Interest-bearing loans and borrowings (continued)

(b) Classification (continued)

Comparative information at 30 June 2012:

Class	Amount Outstanding $'000	Coupon	Deferred Margin	Maturity	Ranking
A1	19,055	BBSW + 2.15%	6.00%	20 December 2039	Pari Passu
A2	55,636	BBSW + 0.75%	2.00%	20 December 2039	Pari Passu
	74,691				

13. Issued capital

(a) Unitholder Funds

	2013 Units	2012 Units	2013 $	2012 $
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 the units held. The holders of ordinary units are entitled to one vote per unit at meetings of the Scheme.

(b) Movements in unitholder funds

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

	Number of units	$
Movement in ordinary units		
Opening balance 1 July 2011	176,439,524	154,412,969
Closing balance at 30 June 2012	**176,439,524**	
Accumulated Losses		(93,146,462)
Total equity 30 June 2012		**61,266,507**
Movement in ordinary units		
Opening balance 1 July 2012	176,439,524	154,412,969
Closing balance at 30 June 2013	**176,439,524**	
Accumulated Losses		(80,845,041)
Total equity 30 June 2013		**73,567,928**

13. Issued capital (continued)

(c) Distribution reinvestment plan

The Scheme has undertaken not to pay any cash distributions to the Scheme unitholders until all amounts owing to noteholders (including deferred margin) have been paid in full. The Scheme has retained the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.

14. Distributions paid and payable

No distributions have been paid during the years to 30 June 2013 and 30 June 2012 and no distributions are payable at 30 June 2013 and 30 June 2012.

15. Accumulated Losses

	2013 $'000	2012 $'000
Opening balance	(93,146)	(80,131)
Net profit /(loss) for the year	12,301	(13,015)
Closing balance	**(80,845)**	**(93,146)**

16. 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 in June 2009, 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 can be made. Following the Note Restructure that was finalised in July 2013, these sales restrictions have been removed.

The Investment Manager manages and conducts surveillance on the asset portfolio and reports to the Responsible Entity and noteholders on a regular basis.

The following summarises the key principles of the monitoring and reporting conducted by the Investment Manager. The key principles are as follows:

1. Portfolio monitoring

The Investment Manager undertakes continuous monitoring and surveillance activities for all individual assets in the Scheme's portfolio.

16. Financial risk management and financial instruments (continued)

Overview (continued)

2. Reporting

The Responsible Entity has delegated the following responsibilities to the Investment Manager:

- Asset surveillance
- Monitoring of existing asset hedges of the Scheme portfolio
- Recommending the execution of assets sales in accordance with the restrictions outlined in restructure documents
- Providing monthly valuations for the Scheme's asset and hedge portfolio.
- Monthly reporting to noteholders 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.

(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 target rate % 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.

Interest rate exposure has been managed 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 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.

16. Financial risk management and financial instruments (continued)

(a) Market Risk (continued)

(i) Interest rate risk (continued)

Fixed interest rate swaps currently in place cover 100% (2012: 103%) of the face value of the hedged assets and are timed where possible to expire at the maturity or matched to the amortisation of the underlying assets. The variable rates are between 0.70% and 1.30% (2012: 0.70% and 1.77%) above either the 30 day or 90 day bank bill rate which at balance date were 2.82% and 2.82% respectively (2012: 3.58% and 3.49% respectively).

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 has been assessed as immaterial.

(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 dollar and the United States dollar. The net exposure at 30 June 2013 was USD $nil, EURO €17,781,461 and NZD $5,348,893 (2012: USD $297,186, EURO €11,726,025 and NZD $5,155,106).

Sensitivity analysis
A 10% movement at 30 June 2013 would have increased / (decreased) the net assets attributable to unitholders and profit or loss from operating activities by the amounts shown below. This analysis assumes that all other variables held constant. The analysis was performed on the same basis for 2012. Amounts stated below show the effect of each individual currencies, however are stated in Australian dollars.

	2013			2012		
Total exposure to foreign currency:	**USD**	**EUR**	**NZD**	**USD**	**EUR**	**NZD**
10 percent increase of AUD						
Net exposure (AUD)	-	2,506,119	450,591	29,163	1,449,102	403,645
10 percent decrease of AUD						
Net exposure (AUD)	-	(2,506,119)	(450,591)	(29,163)	(1,449,102)	(403,645)

16. Financial risk management and financial instruments (continued)

(a) Market Risk (continued)

(iii) Credit spread risk

Credit spread risk refers to the impact on valuation of financial instruments as a result of changes to credit spreads in the market. Refer to below disclosures for credit spread risk analysis.

(b) Credit risk (Receivable risk)

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Scheme.

As at the reporting date 0.06% (30 June 2012: 11.00%) 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 and NCM 04. Other than the loan to Mobius Financial Services Pty Limited, Qantas Airways Ltd, Fountain PIaza Trust (sold post year end), Generali Finance (sold post year end) and National Capital Trust (sold post year end) 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 concentration of credit risk is increasing due to reduction in number and value of assets held. The Investment Manager counters the risk by continuously monitoring underlying financial assets and seeking to sell assets where possible.

The following table summarises the credit rating for the Scheme's non-derivative financial assets:

Rating	30 June 2013 $'000	30 June 2012 $'000
AAA	6,658	16,262
A	5,481	23,699
A-	15,143	35,065
BBB+	16,323	-
BBB	13,049	13,733
BBB-	5,197	33,070
BB+	4,449	-
BB	-	3,983
CCC-	7,609	3,082
CC	2,470	2,072
D	-	551
#	21,358	28,923
	97,737	**160,440**

\# Denotes private rating

16. Financial risk management and financial instruments (continued)

(b) Credit risk (Receivable risk) (continued)

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

	Total	Neither past due nor impaired	Past due but not impaired < 30 days	Past due but not impaired 30-90 days	Past due but not impaired >120 days	Collectively impaired	Individually impaired
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2013							
Cash and cash equivalents	10,645	10,645	-	-	-	-	-
Trade and other receivables	1,523	1,523	-	-	-	-	-
Proceeds receivable from sale of investments	1,810	1,810					
Financial assets at fair value through profit or loss including Qantas loans and receivables	97,737	97,737	-	-	-	-	-
Loan assets held at amortised cost	-	-	-	-	-	-	-
- fixed interest rate	-	-	-	-	-	-	-
- floating interest rate	-	-	-	-	-	-	-
Derivative financial instruments (+)	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total	**111,715**	**111,715**	-	-	-	-	-
2012							
Cash and cash equivalents	11,428	11,428	-	-	-	-	-
Trade and other receivables	2,164	2,164	-	-	-	-	-
Financial assets at fair value through profit or loss	131,517	131,517	-	-	-	-	-
Loan assets held at amortised cost	28,923	28,923	-	-	-	-	-
- fixed interest rate	28,923	28,923	-	-	-	-	-
- floating interest rate	-	-	-	-	-	-	-
Derivative financial instruments (+)	4,669	4,669	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total	**178,701**	**178,701**	-	-	-	-	-

Of the unrated loan assets of $21,359,588 (30 June 2012: $28,922,771), $21,359,588 (30 June 2012: $28,922,771) are supported by collateral of $163,703,160 (30 June 2012: $161,576,882). At 30 June 2013, collateral over loan assets consists of aircraft for Qantas assets.

16. 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 Responsible Entity's and Investment Manger'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.

Liquidity risk is addressed by:

- Cashflow waterfalls set out in the Note and Security Trust Deed. In this way, expenses and costs are 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 $9 million (30 June 2012: $9 million) in a Liquidity Reserve comprised of cash and cash equivalents. This reserve will be maintained until all secured creditors have been repaid;
- Following a resolution passed by the noteholders, subsequent to year end the minimum balance required to be maintained in the Liquidity Reserve was reduced to $1,000,000.
- 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.

16. Financial risk management and financial instruments (continued)

(c) Liquidity risk (continued)

	Carrying Amount	Gross nominal	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years
			Residual contractual maturities				
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2013							
Non-derivatives							
Trade and other payables	491	491	491	-	-	-	-
Interest-bearing loans and borrowings	28,989	28,989	-	28,989	-	-	-
Provision for wind-up costs	488	488	-	488	-	-	-
Total non-derivatives	**29,968**	**29,968**	**491**	**29,477**	**-**	**-**	**-**
Derivatives							
Derivative financial instruments (Inflows)	-	35,760	-	-	102	20,429	15,229
Derivative financial instruments (Outflows)	(8,179)	(38,597)	-	-	(102)	(23,266)	(15,229)
Total derivatives	**(8,179)**	**(2,837)**	**-**	**-**	**-**	**(2,837)**	**-**
2012							
Non-derivatives							
Trade and other payables	475	475	475	-	-	-	-
Interest-bearing loans and borrowings	109,658	121,178	-	14,582	35,768	70,828	-
Total non-derivatives	**110,133**	**121,653**	**475**	**14,582**	**35,768**	**70,828**	**-**
Derivatives							
Derivative financial instruments (Inflows)	99,610	97,531	-	3,000	10,000	57,833	26,698
Derivative financial instruments (Outflows)	(102,242)	(87,271)	-	(3,000)	(10,000)	(49,761)	(24,510)
Total derivatives	**(2,632)**	**10,260**	**-**	**-**	**-**	**8,072**	**2,188**

(d) Fair Value

The following table classifies financial instruments recognised in the statement of financial position 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).

16. Financial risk management and financial instruments (continued)

(d) Fair Value (continued)

At 30 June 2013

	Level 2 $'000	Level 3 $'000	TOTAL $'000
Assets			
Financial assets at fair value through profit or loss	41,511	56,226	97,737
Derivatives	-	-	-
Total assets	41,511	56,226	97,737
Liabilities			
Derivatives	8,179	-	8,179
Total Liabilities	8,179	-	8,179

At 30 June 2012

	Level 2 $'000	Level 3 $'000	TOTAL $'000
Assets			
Financial assets at fair value through profit or loss	72,075	59,442	131,517
Derivatives	4,669	-	4,669
Total assets	76,744	59,442	136,186
Liabilities			
Derivatives	7,301	-	7,301
Total Liabilities	7,301	-	7,301

The following table presents the movement in level 3 instruments for the year ended 30 June 2013 and 30 June 2012 by class of financial instrument.

	2013 $'000	2012 $'000
Opening Balance	59,442	96,657
Addition to Level 3 - Qantas loans and receivables	21,358	-
Sales	(32,998)	(38,483)
Gain or (loss) recognised in profit or loss	8,424	1,268
Closing Balance	56,226	59,442
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	8,424	1,268

Qantas loans and receivables that were previously accounted for at amortised cost are an addition to Level 3 as they have been reclassified to ‘Financial assets at fair value through profit or loss’.

No transfers occurred between levels during the year.

16. Financial risk management and financial instruments (continued)

(d) Fair Value (continued)

Sensitivity Analysis

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

At 30 June 2013	Favourable		Unfavourable	
	Profit and Loss $'000	Equity $'000	Profit and Loss $'000	Equity $'000
Financial Assets at Fair Value	1,687	(1,687)	(1,687)	1,687
Total	1,687	(1,687)	(1,687)	1,687

At 30 June 2012	Favourable		Unfavourable	
	Profit and Loss $'000	Equity $'000	Profit and Loss $'000	Equity $'000
Financial Assets at Fair Value	1,783	(1,783)	(1,783)	1,783
Total	1,783	(1,783)	(1,783)	1,783

(e) Capital risk management

Following the Note Restructure in June 2009, 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 can be made.

The Investment Manager manages and conducts surveillance on the asset portfolio and reports to the Responsible Entity and noteholders on a regular basis. Following the Note Restructure that was finalised in July 2013, the Responsible Entity will work closely with the Investment Manager to realise the remaining investments in the asset portfolio with a view of returning funds to unitholders.

17. Related parties

(a) Responsible entity

The Responsible Entity of the Scheme is The Trust Company (RE Services) 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
- Andrew Cannane
- David Grbin
- Rupert Smoker (Alternate Director for John Atkin, Andrew Cannane and David Grbin)

The Scheme does not directly employ any key management personnel. Instead, the provision of management services is provided by the Investment Manager for which it is 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. No further disclosures regarding management remuneration are included in these financial statements.

(c) Transactions with the Responsible Entity and its associates

Responsible Entity's fees and other transactions

The Responsible Entity receives a flat fee of $330,000 (2012: $330,000) per annum paid monthly in arrears (excluding non-recoverable GST). In addition to the flat fee, the Responsible Entity has also received $nil (2012: $119,000), including GST not recoverable from the ATO, towards costs recoveries and transaction fees. At 30 June 2013 $28,344 was payable to the Responsible Entity on account of their fees (30 June 2012: $30,845).

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.

17. Related parties (continued)

(d) Transactions with the Investment Manager

	2013 $	2012 $
Amounts recognised as an expense		
Investment manager management fees - Threadneedle International Limited	820,000	805,000
	820,000	805,000

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

	2013 $	2012 $
Liabilities		
Investment manager management fees - Threadneedle International Limited	205,000	205,000
	205,000	205,000

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.

18. Earnings per unit

Basic and diluted earnings per unit are both calculated using the net profit of $12,301,421 for the financial year ended 30 June 2013 (30 June 2012: loss of $13,015,195).

	2013 Cents	2012 Cents
Basic earnings per unit	6.97	(7.38)
Diluted earnings per unit	6.97	(7.38)
	Number of units	**Number of units**
Weighted average number of ordinary units used in the calculation of basic earnings per unit	176,439,524	176,439,524
Weighted average number of ordinary units used in the calculation of diluted earnings per unit	176,439,524	176,439,524
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	176,439,524
Net profit/(loss)	12,301,421	(13,015,195)

19. Reconciliation of cash flows from operating activities

	2013 $'000	2012 $'000
Profit/(loss) for the year	12,301	(13,015)
Add: Non-operating items		
Net (gain)/loss on financial instruments and Impairment loss on financial instruments	(16,357)	10,640
Finance costs	9,154	14,459
Changes in other assets/liabilities:		
(Increase)/decrease in trade and other receivable	641	463
Increase/(decrease) in trade payables	16	42
Increase/(decrease) in provision for wind-up costs	488	-
Net cash flow from operating activities	**6,243**	**12,589**

20. Events occurring after the reporting date

On 15 July 2013 the Scheme received the proceeds from the sale of the Scheme's claim against the Glitnir Bank. Details of this sale were announced to the ASX on 3 June 2013 and the amount was included as a receivable in the financial statements as at 30 June 2013.

The amendments to the Pass Through Notes announced to the ASX on 25 June 2013 (as described above) became effective as of 19 July 2013.

On 20 August 2013 the remaining balance of $29 million outstanding on the deferred margin was repaid. As a result of this all amounts outstanding to Pass Through noteholders have been repaid.

Subsequent to the end of the year the Scheme has disposed of / redeemed the following positions:

- Apollo 2007-1 RMBS
- HBOS Swan Series
- Progress Trust 2006-1
- REDS Trust
- Paragon Mortgages PLC
- Generali Finance
- National Capital Instruments
- National Capital Trust
- Fountain Plaza Trust
- Rock & Rubble
- Sapphire IV NZ RMBS
- Khamsin Credit Products (SGOX-2)
- Khamsin Credit Products (SILK-7)
- Mobius NCM-04 Class M

The net proceeds from these sales (including settlement of the Fountain Plaza swap and excluding accrued interest) was approximately $74,393,000[1] which compares to the 30 June 2013 value of approximately $73,373,000[2].

Other than the matters described above, the directors are not aware of any other matter or circumstance that have 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 2013 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.

[1] Foreign denominated proceeds have been translated into Australian dollars (AUD) using the actual rates received when the proceeds were converted into AUD.

[2] Includes the fair value of the Fountain Plaza swap and adjusted for the impact of amortisation received during July on Mobius, Progs, Reds and Apollo; foreign currency denominated assets are translated using exchange rates as of 30 June 2013.

21. Contingencies

There are no outstanding contingent assets and liabilities or commitments at 30 June 2013 (30 June 2012: $nil).

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 9 to 43, 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 2013 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) the financial statements are not prepared on going-concern basis as disclosed in Note 1(b), though there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and

(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 required by section 295A of the *Corporations Act 2001*.

Dated at Sydney this 29 day of August 2013.

Signed in accordance with a resolution of the directors:

David Grbin
Director

Independent auditor's report to the members of Max Trust

Report on the financial report

We have audited the accompanying financial report of Max Trust (the "Scheme"), which comprises the statement of financial position as at 30 June 2013, 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.

Directors' responsibility for the financial report

The directors of the responsible entity of the Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

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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 2013 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 Scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of matter-going concern no longer appropriate

Without qualifying our opinion, we draw attention to the following matter. As indicated in Note 1 to the financial statements, the directors have decided to undertake an orderly realisation of assets through a tender process to wind up the business prior to the next reporting period end of 30 June 2014. As a result, the financial statements have been prepared on a liquidation basis and not on a going concern basis.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Cooper
Partner

29 August 2013

CORPORATE GOVERNANCE – RESPONSIBLE ENTITY

Background

The Trust Company (RE Services) Limited ("**Responsible Entity**") is the responsible entity for the Max Trust ("**Trust**"), a registered managed investment scheme that is listed on the Australian Securities Exchange ("**ASX**").

The Responsible Entity is a wholly-owned subsidiary of The Trust Company Limited (ASX: TRU) ("**The Trust Company**"). The Responsible Entity is reliant on The Trust Company for access to adequate resources including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance and risk, finance) and financial resources. The Trust Company has at all times made such resources available to the Responsible Entity.

In operating the Trust the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Scheme's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Trust principally arise from: the Constitution of the Trust; the Compliance Plan for the Trust; the Corporations Act 2001 ("**Act**"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services License; relevant regulatory guidance; relevant contractual arrangements; and other applicable laws and regulations.
In adhering to this overarching principle we observe a set of more specific principles that apply to all aspects of operating the Scheme.

These specific principles are outlined below:

1.	***Investment mandate*** The Responsible Entity is vigilant in ensuring that the Trust's investments, including its assets and liabilities, are in accordance with the Trust's investment mandate.
2.	***Debts and solvency*** The Responsible Entity is vigilant in monitoring the financial position of the Trust, in seeking to ensure that the Trust remains solvent and able to pay its debts as they fall due and that obligations are only entered into in accordance with the Trust documents.
3.	***Good disclosure*** The Responsible Entity is vigilant in ensuring full, frank and timely disclosure of the Trust's affairs to relevant stakeholders including the Trust's unitholders. This includes financial reporting, continuous disclosure, offer documents and other material disclosures.
4.	***Related party*** The Responsible Entity is vigilant in scrutinising any related party transactions to ensure they are allowed only on arm's length terms and in the best interests of the Trust's unitholders.
5.	***Conflict management*** The Responsible Entity is vigilant in ensuring that any actual or potential conflicts in connection with the Trust are appropriately and transparently managed.
6.	***Fraud mitigation*** The Responsible Entity ensures that it operates the Trust in ways that are designed to mitigate the risk of fraud.

7.	***Service providers*** The Responsible Entity engages and acts in alliance with external service providers as part of operating the Scheme in the best interests of unitholders. This includes appropriate selection, engagement, management and monitoring processes.
8.	***Safe custody*** The Responsible Entity ensures that the Trust's assets are kept in safe and segregated custody.
9.	***Effective administration*** The Responsible Entity ensures that the Trust's affairs are administered effectively and efficiently. This includes appropriate controls, systems, processes and record-keeping.
10.	***Governance, risk and compliance management*** The Responsible Entity ensures that the Trust is operated in accordance with appropriate governance, risk and compliance management frameworks.
11.	***Organisational competence*** The Responsible Entity's Compliance Committee, Directors, management, staff and service providers are comprised of professionals who hold and maintain appropriate qualifications and experience to discharge their responsibilities to the highest standards of excellence.
12.	***Financial capability*** The Responsible Entity meets and maintains the adequacy of its capital, liquidity, insurance and other requirements in order to discharge its obligations under its AFS Licence in relation to the Trust.
13.	***Unitholders' feedback*** The Responsible Entity respects and supports the rights of the Trust's unitholders to question the Responsible Entity through appropriate complaints handling processes and/or unitholders' meetings.

Corporate governance

The Directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Trust and, to the extent applicable to registered schemes, are guided by the values and principles set out in The Trust Company's Ethical Framework and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles**"). The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered schemes, its practices are largely consistent with the Principles.

As a leading independent responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("**Schemes**"). The Schemes include the Trust as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Trust is consistent with its approach in relation to the Schemes generally.

The Responsible Entity addresses each of the Principles below in relation to the Schemes, including the Trust, for the year ended 30 June 2013. This corporate governance statement is current as at the date of the Trust's financial report.

Principle 1 – Lay solid foundations for management and oversight

The role of the Responsible Entity's Board ("**RE Board**") is generally to set objectives and goals for the operation of the Responsible Entity and the Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of each of the Schemes. The RE Board is accountable to the unitholders of each of the Schemes, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Schemes.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Schemes. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Schemes. To assist the RE Board in carrying out its functions it has regard to the Ethical Framework developed by The Trust Company to guide the Directors, management and staff in the performance of their roles.

The RE Board ensures that the performance of the Responsible Entity's management is evaluated against agreed plans and the key performance indicators that are set annually as part of The Trust Company's performance management process. The performance of all management and staff of The Trust Company (which includes those staff involved in managing the Schemes) is evaluated on a six monthly basis against their key performance indicators that have been set annually and cover both financial and non-financial aspects of each person's role. For the Responsible Entity, as part of The Trust Company, the performance management process plays a key role in developing high performance teams and aligning employee and organisational behaviour with The Trust Company's cultural values as set out in the Ethical Framework. The performance evaluation of the Responsible Entity's Directors, management and staff has taken place in accordance with the above process.

Principle 2 – Structure the board to add value

At present the RE Board consists of a majority of executive directors. The names of the current Directors are set out in the directors' report which forms part of the Trust's financial report. The RE Board meets regularly and considers that the composition and mix of skills of directors is appropriate for the directors to understand the Responsible Entity's business and to discharge their duties. The RE Board also ensures that it maintains independent judgement in board decisions. A chairman is selected by the Directors at the start of each board meeting. The RE Board meets monthly and more frequently as required to consider matters in relation to any of the Schemes.

The Responsible Entity adds value in terms of the best interests of the Trust's unitholders through being completely independent of the Investment Manager it has engaged in relation to the Trust, being Threadneedle Investment Limited. There are no common directors and no related party interests between the Responsible Entity and the Investment Manager. This independent structure avoids any conflicts of interest between the Responsible Entity and the Investment Manager whenever discretionary decisions are required of either entity in their respective capacities.

As the RE Board consists of a majority of executive directors, a Compliance Committee is appointed in relation to each of the Schemes (refer to Principle 4). The Committee consists of only non-executive members, has a majority of independent members and is chaired by an independent member who is not the chair of the RE Board.

The nomination committee functions are carried out by the full RE Board given the size of The Trust Company group and the RE Board itself. The RE Board makes an assessment in relation to the appointment of new directors and in relation to itself, and ensures that it complies with the Responsible Entity's constitution.

The RE Board is provided with regular detailed reports on the financial position, financial performance and business of the Responsible Entity and the Schemes to allow the Board to effectively fulfil its responsibilities. The Directors have access to the management, staff and advisers of the Responsible Entity and The Trust Company as necessary if they require additional information. The Directors also have access, as and when required, to the service providers engaged by the Responsible Entity, such as the Investment Manager. Further, The Trust Company has entered into arrangements with the Responsible Entity's Directors in relation to access to information and advice as well as indemnity and insurance; these arrangements contemplate that the Directors are entitled to seek independent professional advice if required from time to time.

Principle 3 – Promote ethical and responsible decision-making

The Responsible Entity, as part of The Trust Company, has both an Ethical Framework and a Code of Conduct within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of The Trust Company, and the Responsible Entity. The Ethical Framework supports all aspects of the way The Trust Company, and the Responsible Entity, conducts its business and is embedded into the Trust Company's performance management process. The Ethical Framework, guides and better aligns The Trust Company's cultural values with the decision making conducted at all levels within The Trust Company's business, and integrates this with The Trust Company's purpose, vision and goals as an organisation and as a valued member of the wider community.

The Trust Company's Diversity Policy covers the following areas: women in the workforce, age, cultural background and flexible working arrangements. The Trust Company embraces workforce diversity as a source of strength. It is approved by The Trust Company's Board and overseen by the People and Remuneration Committee. Measurable objective are being developed so that progress can be monitored. The workforce of The Trust Company currently comprises a wide range of ages, cultural backgrounds and gender across all roles.

The Trust Company has a Share Trading Policy that applies to the Responsible Entity in relation to trading in units in any of the Schemes. Directors, management and staff of The Trust Company, and the Responsible Entity, are required to seek prior approval of any trading in units in any of the Schemes. The RE Board and management ensure that any actual or potential conflicts are appropriately identified, managed and disclosed. The Responsible Entity maintains a declaration of interests register which is confirmed by the RE Board at the start of each board meeting.

Principle 4 – Safeguard integrity in financial reporting

The Trust Company has an Audit, Risk and Compliance Committee ("**ARCC**"). ARCC also acts as the Compliance Committee for each of the Schemes pursuant to part 5C of the Act. ARCC is comprised of four members with a majority of independent non-executive directors. The members of ARCC are Roger Davis (Chairman), Bruce Corlett and John Macarthur-Stanham (all Directors of The Trust Company) and an independent non-executive committee member, John Richardson. ARCC meets at least quarterly. ARCC may have such additional meetings as the Chairman may decide in order to fulfil its role. The ARCC Charter sets out its role and responsibilities.

The declarations under section 295A of the Act ('CEO and CFO declarations') provide formal statements to the RE Board in relation to each of the Schemes that are listed on the ASX (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives appropriate declarations from the service providers involved in financial reporting for the Schemes, including the Investment Manager.

The Responsible Entity manages the engagement and monitoring of independent 'external' auditors for each of the Schemes. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plans for each of the Schemes.

Principle 5 – Make timely and balanced disclosure

In relation to the Trust, the Responsible Entity, as part of The Trust Company, has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Act and the ASX Listing Rules. The policy requires timely disclosure of information to be reported to the Responsible Entity's management and/or Directors to ensure that, information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to any of the Schemes, is disclosed to the market. The Responsible Entity's Company Secretary is responsible for assisting management and/or the Directors in making disclosures to the ASX after appropriate RE Board consultation. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Schemes.

Principle 6 – Respect the rights of unitholders

The Responsible Entity is committed to providing both unitholders and the market with timely information so that the market is continuously and sufficiently informed of all market sensitive information in relation to each of the Schemes. In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from unitholders and convenes formal and informal meetings of unitholders as requested or required. The Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to the Schemes.

The Responsible Entity handles any complaints received from unitholders in accordance with The Trust Company's Complaints Handling Policy. The Responsible Entity is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

Principle 7 – Recognise and manage risk

The Responsible Entity, as part of The Trust Company, values the importance of robust risk management systems. The Responsible Entity and The Trust Company have established ARCC, acting as the Compliance Committee for each of the Schemes pursuant to part 5C of the Act, to assist the RE Board to discharge its risk management and compliance responsibilities.

As noted above, ARCC is responsible for the oversight of risk management, internal control systems and compliance matters for the Responsible Entity and The Trust Company. It also reviews internal and external audit processes and reports. ARCC meets regularly with The Trust Company's Executive Team, senior management and external advisers, and reports directly to The Trust Company's Board. The Responsible Entity's management (as well as The Trust Company's Executive Team and the risk and compliance function) regularly report any material business risks to the RE Board and to ARCC through its quarterly risk and compliance reporting process. Significant matters arising during a quarter are addressed by management and escalated as appropriate.

The Responsible Entity, as part of The Trust Company, has a formal risk management program in place and maintains a current risk register. The program includes policies and procedures to identify and address material financial and non-financial risks. The Trust Company's Board and ARCC are responsible for overseeing compliance with the risk management program and its continuous evolution. The Trust Company also maintains an independent 'internal' audit function which reports directly to ARCC and The Trust Company's Board if necessary. This service is provided by KPMG.

The declarations under section 295A of the Act ('CEO and CFO declarations') provide formal statements to the RE Board to confirm that the financial statements of each of the Schemes that are listed on the ASX are founded on a sound system of risk management, internal compliance and controls which implement the policies adopted by the RE Board. In addition they confirm the Responsible Entity's risk management and control system is operating efficiently and effectively in all material respects. The Responsible Entity receives appropriate declarations from the service providers involved in financial reporting for the Schemes, including the Investment Manager.

Principle 8 – Remunerate fairly and responsibly

The fees and expenses which the Responsible Entity is permitted to pay out of the assets of the Schemes are set out in the constitution and offer documents, if applicable, for each of the Schemes. Fees and expenses for the benefit of the Responsible Entity are required to be considered and disclosed as related party transactions. Fees and expenses paid out of the assets of the Schemes are unrelated to the remuneration of the Responsible Entity's Directors, management and staff which is separately determined by The Trust Company. As noted above, the Responsible Entity's Directors, management and staff are provided by The Trust Company and are remunerated by The Trust Company and not by the Responsible Entity or any of the Schemes operated by the Responsible Entity.

The Trust Company has remuneration policies in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve the performance of The Trust Company. The Trust Company has a People and Remuneration Committee. The Committee is comprised of three independent non-executive directors, with a Chairman who is different to the Chairman of the Board. The Committee has reviewed and approved its charter which sets out its role and responsibilities.

Other Information

All data below is quoted as at the end of trading on 15 August 2013.

Distribution of ordinary units

Range	Holders	Units	% Capital
1-1,000	232	45,744	0.03%
1,001-5,000	196	664,268	0.38%
5,001-10,000	241	2,070,480	1.17%
10,001-100,000	691	25,335,866	14.36%
100,000 +	174	148,323,166	84.06%
Total	**1,534**	**176,439,524**	**100.00%**

Largest unitholders

The table below contains the details of Scheme's top 20 holders of ordinary units as at 15 August 2013.

Name	Units	% Capital	Rank
BNP Paribas Noms Pty Ltd	18,252,429	10.34%	1
HSBC Custody Nominees (Australia) Limited	15,831,467	8.97%	2
Citicorp Nominees Pty Limited	12,367,927	7.01%	3
Riply Pty Ltd	11,000,000	6.24%	4
Mr Rodney Pryor & Mrs Jennifer Pryor	8,371,387	4.75%	5
Rotarn Pty Ltd - THE ROTARN OPERATING A/C	6,109,108	3.46%	6
Stanbox Pty Limited	4,575,000	2.59%	7
UBS Nominees Pty Ltd	4,569,058	2.59%	8
Ms Franciska Lasic	2,878,122	1.63%	9
ABN Amro Clearing Sydney Nominees Pty Ltd	2,791,165	1.58%	10
Dahlenburg Superannuation Pty Ltd	2,324,400	1.32%	11
Mr Rodney Pryor & Mrs Jennifer Pryor - ROCKTAGONAL SUPER FUND A/C	1,800,000	1.02%	12
Citicorp Nominees Pty Limited	1,619,990	0.92%	13
UBS Wealth Management Australia Nominees Pty Ltd	1,604,838	0.91%	14
HBD Services Pty Ltd	1,568,679	0.89%	15
Ashford Pty Ltd - WONG SUPER FUND A/C	1,500,000	0.85%	16
Australian Executor Trustees Limited	1,237,054	0.70%	17
Stone Axe Pty Ltd	1,025,000	0.58%	18
Custodial Services Limited	1,022,500	0.58%	19
Idollink Pty Ltd	1,019,651	0.58%	20
Total top 20 holders	101,467,775	57.51%	
Remainder holders	74,971,749	42.49%	
Total	**176,439,524**	**100.00%**	

Voting rights
Ordinary unit holders are entitled to one vote per unit.

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 244.

Unquoted securities
There are no unquoted securities on issue.

Stock exchange listing
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 Geoffrey Stirton is the Company Secretary of the Responsible Entity.

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

Unquoted units
There are no unquoted units on issue.

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