Allco Managed Investment Funds Limited
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27 February 2009

The Manager
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir

Allco Max Securities & Mortgage Trust – Half Year Report (Appendix 4D) for the half-year ended 31 December 2008

The directors of Allco Managed Investment Funds Limited ('AMIFL'), the responsible entity of Allco Max Securities & Mortgage Trust ('Max'), announce the financial results of Max for the half-year ended 31 December 2008. This report covers the reporting period from 1 July 2008 to 31 December 2008. The previous corresponding reporting period was 1 July 2007 to 31 December 2007.

<u>Results for announcement to the market</u>

Financial Results	**31 Dec 2008 $'000's**	**31 Dec 2007 $'000's**	**% change $'000's**
Revenue from ordinary activities	35,462	32,141	10% 3,321
Loss from ordinary activities after tax attributable to unitholders	(105,176)	(26,744)	-293% (78,432)
Loss for the period attributable to unitholders	(105,176)	(26,744)	-293% (78,432)

The revenue and loss from ordinary activities were primarily affected by unrealised losses during the 6 months ended 31 December 2008. The unrealised losses resulted from continued negative sentiment associated with current credit crisis that has caused significant volatility in the domestic and international debt and equity markets. This volatility has had a flow-on impact on the market value of certain securities and derivatives held within the Max portfolio that are required to have their carried values "mark to market". The process of marking to market is conducted by independent financial institutions and is based on valuation procedures that follow accepted financial market practice. Valuation procedures are based on the assumption of a willing but not forced buyer and a willing but not forced seller. Max has not been required to reduce exposures to any sectors or specific assets.

Dividends for the year ended 31 December 2008

Distributions	Amount per security	Franked amount per security
Paid 29 August 2008 Record Date 30 June 2008	1.86 cents	Nil
Paid 30 November 2008 Record Date 30 September 2008	Nil	Nil

Net tangible assets per security

Description	31 December 2008 $ per security	31 December 2007 $ per security
Net tangible assets per security	(0.05)	0.73

Yours faithfully,
Allco Managed Investment Funds Limited as the responsible entity for Allco Max Securities & Mortgage Trust

Tom Lennox
Company Secretary

Allco Max Securities & Mortgage Trust
ARSN: 115 268 669

Half-Year Financial Report

31 December 2008

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This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made in respect of Allco Max Securities & Mortgage Trust during the half-year period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The responsible entity of Allco Max Securities & Mortgage Trust is Allco Managed Investment Funds Limited (ABN 47 117 400 987). The responsible entity's registered office is Level 24 Gateway, 1 Macquarie Place, Sydney, NSW 2000.

Directors' Report

The directors of Allco Managed Investment Funds Limited (ABN 47 117 400 987) ("AMIFL" or "Responsible Entity"), the responsible entity of Allco Max Securities & Mortgage Trust ("MAX" or "Scheme"), present their report, together with the financial report of the Scheme, for the half-year ended 31 December 2008.

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 24 Gateway, 1 Macquarie Place, Sydney, NSW, 2000. The Responsible Entity is a subsidiary of Allco Finance Group Limited ("AFG").

Directors

The following persons were directors of the Responsible Entity during the half-year and up to the date of this report.

- Michael Brogan
- Ian Tsicalas (Chairman)

The following persons were directors of the Responsible Entity until the date of their resignation:

- Michael Stefanovski – resigned on 6 August 2008; and
- Neil Brown – appointed 6 August 2008, resigned 1 December 2008.

The following persons were directors of the Responsible Entity from the date of their appointment and continue in office at the date of this report:

- Frank Tearle – appointed on 4 December 2008.

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

Principal activities

The Scheme is a registered managed investment scheme which has invested in money market securities, debt securities and investment grade loans in addition to interest rate and foreign currency derivatives. There has been no change in the nature of the Scheme's activities during the half-year.

Review of operations

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

Review of operations (continued)

Results

The results of the Scheme as presented in the Income Statement for the half-year ended 31 December 2008 was a net loss of $105,176,080 (31 December 2007: loss of $26,744,042).

Distributions

The distribution of income from the Scheme for the half-year ended 31 December 2008 was $nil (2007: $3,749,922).

Allco Funds Management Limited ("AFML"), a wholly owned subsidiary of AFG, has waived its right to receive distributions on the 10 million units it owns in the Scheme from 1 December 2007 until 30 November 2009.

Significant changes in the state of affairs

Restructure of debt facilities

MAX advises that it has reached agreement with Societe Generale, its warehouse facility provider and beneficial holders of the majority of its medium term notes on the principal commercial terms of a restructure of its debt facilities. The key terms of the restructure are set out below.

The agreement is subject to a number of conditions precedent including obtaining all necessary waivers, consents and approvals from third parties who are not parties to the agreement. If the conditions are not satisfied, or Societe Generale forms the view that the conditions will not be satisfied, the agreement will terminate. Each party to the agreement has agreed to use reasonable endeavors to implement the restructure on the agreed terms.

The restructure is intended to address the issues that MAX has discussed in previous announcements. In particular, there is a risk that the Warehouse Notes may be repriced to a level that is not consistent with MAX's ongoing compliance with its portfolio tests and could lead to an event of default under MAX's debt programme. Furthermore, to the extent MAX was able to remedy portfolio test breaches via asset sales, based on current market conditions, MAX would be expected to realise significant losses and in turn reduce the underlying capital base of the trust. Such assets sales and/or the prospect of continued portfolio test breaches could also lead to a default under MAX's debt programme. AMIFL, the Responsible Entity of MAX, has concluded that, having regard to these matters, a restructure of the terms of the agreement is in the best interests of the unitholders of MAX.

The key terms of the restructure are as follows:

- The legal final maturity date of the notes held by the warehouse facility provider and other investors will be extended to 31 December 2027.
- The margin payable on the notes held by the warehouse facility provider will be 2.15% per annum (0.70% per annum at 30 June 2008).
- The margin payable on the notes held by other investors will be increased to 0.75% per annum (0.28% per annum at 30 June 2008 on the notes due to expire in December 2009 and 0.32% per annum on the notes due to expire in December 2010).

Significant changes in the state of affairs (continued)

- In addition, a deferred interest amount will accrue on outstanding notes at a rate of 6.0% per annum (in the case of notes held by the warehouse facility provider) and 2.0% per annum (in the case of notes held by other investors). The deferred interest amount is only payable following the repayment in full of the principal amount of the notes and then only to the extent MAX has excess cash flow or if the legal final maturity date or an event of default has occurred. This additional interest will be subordinated to all other secured amounts owed by MAX (including other interest owing on the notes) but will be paid ahead of distributions to unitholders.
- The principal amount outstanding on the notes will be repaid on a pro-rata basis during the term of the notes to the extent MAX has excess cash flow.
- MAX undertakes not to dispose of assets at less than certain specified percentages of par value, unless the approval of noteholders is obtained. In addition, subject to approvals required under the listing rules and certain other conditions, MAX undertakes to offer and effect a sale of its assets following the fifth anniversary of the restructure date.
- MAX also undertakes not to pay any distributions to MAX unitholders until all amounts owing to noteholders have been paid in full. MAX will retain the ability to pay distributions in the form of new units in accordance with its constitution.

In addition, under the agreement, the warehouse facility provider has agreed not to exercise any rights to re-price any notes it holds under the terms of the warehouse facility until the earlier of the termination of the agreement or the date of satisfaction of all conditions precedent. On the date of satisfaction of all conditions precedent the warehouse facility will terminate and accordingly the re-pricing right will cease to apply.

MAX will advise the market when the final documentation for the restructure has been signed. Whilst MAX continues to engage with its stakeholders in constructive negotiations, unless and until restructuring documentation is signed, there can be no assurance that the restructure of MAX's debt facilities will be able to be concluded successfully.

In order to maintain the 'BBB-' rating assigned to the MTN's on issue the Scheme must pass a number of portfolio tests at all times.

Max was in breach of the following portfolio tests as at 31 December 2008:

- The Static Capital Adequacy Test is in breach by A$34.0 million.
- The MTN Liquidity Test is in breach by A$1.7 million.
- The Dynamic Capital Adequacy Test is in breach by $4.4 million

Upon approval by the Secured Creditors to MAX, the Security Trustee has approved an extension to the grace period for compliance with the portfolio tests. The expiration date is the earlier of 31 March 2009 and the date on which the aforementioned restructure agreement is terminated.

If the Scheme fails to correct the breach within the permitted grace period, an Early Amortisation Event will occur. In the occurrence of an Early Amortisation the Scheme must use its best endeavours to remedy the relevant breach. If the

Significant changes in the state of affairs (continued)

breach is not remedied with 6 months of the occurrence of the Early Amortisation Event then the Security Trustee will convene a meeting at which the creditors of the Scheme will vote on the following course of action:

- Declare an Event of Default and take all actions available to them (primarily the enforcement of security).
- Continue with the Early Amortisation Event imposing such conditions as they consider proper and (if considered appropriate) replace the Investment Manager.

While an Early Amortisation Event is subsisting, distributions to unitholders cannot be made.

Following an Event of Default, distributions to unitholders may only be made once the Scheme's creditors and any other expenses of the Scheme have been paid in full.

In connection with the proposed restructure of MAX's debt facilities, it is proposed that the portfolio tests under MAX's debt programme will be restructured such that MAX will be able to maintain compliance with the portfolio tests provided that it establishes and maintains sufficient reserves (a) to meet anticipated future shortfalls between MAX's payments and expected collections, and (b) an amount to be agreed between MAX and its noteholders following discussions with Standard & Poor's which is intended to ensure MAX's ongoing solvency and liquidity.

The Schemes Relationship to Allco Finance Group Limited (AFG)
The Scheme is managed pursuant to a management agreement ("Management Agreement"). The manager of the Scheme under that agreement was Allco Funds Management Limited ("AFML") which is a wholly owned subsidiary of AFG. Under the Management Agreement, the Scheme received the bulk of, and was reliant upon, a number of management, administration and other services from AFML. In accordance with the terms of the Management Agreement, the costs of these services were not borne by AMIFL, but were instead paid to AFML on AMIFL's behalf out of the trust.

On 4 November 2008 the Directors of AFG announced the appointment of Tony McGrath and Joseph Hayes of McGrathNicol as the Voluntary Administrators of Allco and certain of its subsidiaries, including the Scheme manager AFML, pursuant to Section 436A of the Corporations Act 2001.

Subsequent to the appointment of administrators to AFG, and also on 4 November 2008, the company's secured creditors appointed Steve Sherman and Peter Gothard of Ferrier Hodgson as receivers to AFG and a number of its subsidiary companies, including the Scheme manager AFML.

Under the terms of the investment management agreement of MAX, AMIFL became obliged to remove Allco Funds Management Limited (AFML) as the investment manager of MAX after the appointment of the voluntary administrators and receivers to AFML.

Significant changes in the state of affairs (continued)

The Responsible Entity of the Scheme, AMIFL, is not under administration and continues to fulfil its obligations to MAX. The directors continue to monitor this situation and will consider the potential impact of any further announcement made by AFG.

Likely developments

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

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

Events occurring after the balance sheet date

Portfolio Tests

The Security Trustee has granted MAX a conditional waiver in relation to the grace period extension date for the breach of the portfolio tests. The conditional waiver was due to expire on 31 January 2009 however this has been extended to the earlier of 31 March 2009 and the date on which the aforementioned restructure agreement is terminated.

Record Realty Trust

MAX has provided loans to special purpose vehicles established for the purpose of refinancing two Record Realty Trust (RRT) property transactions: ASX Building (20 Bridge Street, Sydney) and the Gosford Workcover Head office (Gosford, NSW). As at 31 December 2008, MAX held A$100.5m of loan notes which are indirectly secured over the Bridge Street property and A$35.1m of loan notes which are indirectly secured over the Gosford property.

MAX provided loans by way of subscribing for loan notes to a special purpose vehicle (Max Realty) which has in turn provided loans (Underlying Loans) to special purpose vehicles established for the purposes of refinancing the two aforementioned RRT property transactions. The Underlying Loans contain financial covenants, including loan-to-value undertakings. In the event that a default occurs under the Underlying Loans, MAX may direct Max Realty to require repayment from the relevant special purpose vehicle. If the repayment is made, Max Realty is required to invest the proceeds in specified authorised investments to enable Max Realty to fund the interest payments on the loan notes held by MAX.

The re-valuations for these two properties (as at 30 June 2008) have caused breaches of the respective loan-to-value undertakings. With respect to the Gosford property, on 27 February 2008 Max Realty Pty Limited advised MAX that the loan to value ratio (LVR) breach was remedied within the remedy period.

With respect to the Bridge Street property, on 20 February 2009 the Agent (BOS International (Australia) Limited) issued notices to CRC Bridge Street Pty Limited (Borrower) and the security trustee stating that, in Max Realty Pty Limited's opinion, an event of default had occurred and reserving all of Max Realty Pty Limited's rights under the loan agreement.

Events occurring after the balance sheet date (continued)

MAX attempted to engage with the Borrower and the other parties with a view to determining a course of action in relation to the repayment of the loan, however those discussions did not result in an outcome satisfactory to MAX. Therefore, on the instructions of Max Realty Pty Limited, the Agent has:

1. issued a notice to the Borrower demanding immediate repayment of the loan; and
2. issued a notice to the security trustee requesting the security trustee to commence enforcement action including by way of the appointment of a receiver and manager to all the secured property.

We understand that the Borrower does not admit that there is an event of default and that the Borrower may challenge the appointment of the receiver and the enforcement of the security by the security trustee.

Given the secured priority position held by MAX, the loan notes are not considered to be currently impaired.

<u>Proposed change of responsible entity</u>
Under the agreement for restructure of MAX's debt facilities, AMIFL has agreed to use its best endeavours to effect its replacement as the responsible entity and investment manager of MAX as soon as reasonably practicable. In each case, AMIFL will endeavour to ensure the replacement is acceptable to MAX's noteholders and the replacement responsible entity will need to be appointed by MAX's unitholders.

The directors are not aware of any other matter or circumstance that has occurred since balance sheet date that would impact the financial position of the Scheme disclosed in the balance sheet as at 31 December 2008 or on the results and cash flows of the Scheme of the year ended on that date.

Rounding off

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

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

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

Ian Tsicalas
Chairman

Sydney
27 February 2009

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Auditor's Independence Declaration

As lead auditor for the review of Allco Max Securities & Mortgage Trust for the half year ended 31 December 2008, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Allco Max Securities & Mortgage Trust during the period.

EA Barron
Partner

Sydney
27 February 2009

Allco Max Securities & Mortgage Trust
Income Statement
for the half-year ended 31 December 2008

	Note	31 December 2008 $,000	31 December 2007 $,000
Investment Income			
Interest and yield related income		35,462	32,141
Net (loss)/gain on financial instruments held at fair value through profit or loss	3	(107,609)	(31,804)
Total Investment Income		(72,147)	337
Expenses			
Finance costs		31,593	25,189
Other operating expenses		1,392	1,842
Auditor's remuneration		43	50
Total expenses from operating activities		33,029	27,081
(Loss)/profit for the year attributable to unitholders of the Scheme		(105,176)	(26,744)
		Cents	Cents
Basic & Diluted loss per unit	5	(59.90)	(15.57)

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

Allco Max Securities & Mortgage Trust
Balance Sheet
as at 31 December 2008

	Note	31 December 2008 $,000	30 June 2008 $,000
Assets			
Cash and cash equivalents		91,167	57,392
Trade and other receivables		4,696	4,946
Financial assets at fair value through profit or loss	6a	533,843	599,389
Derivative financial instruments	8	-	25,378
Loan assets held at amortised cost	6b	185,927	171,342
Total assets		815,633	858,447
Liabilities			
Trade and other payables		2,825	2,356
Distributions Payable	4	-	3,049
Derivative financial instruments	8	64,115	-
Interest-bearing loans and borrowings	7	756,810	756,322
Total liabilities		823,750	761,727
Net assets		(8,117)	96,720
Equity			
Issued capital			
- Ordinary share capital	9a	154,413	154,074
(Retained losses)/undistributed income	9b	(162,530)	(57,354)
Total equity		(8,117)	96,720

The above Balance Sheet should be read in conjunction with the accompanying notes.

Allco Max Securities & Mortgage Trust
Statement of Changes in Equity
for the half-year ended 31 December 2008

	Note	31 December 2008 $,000	31 December 2007 $,000
Total equity at the beginning of the half-year		96,720	153,426
(Loss)/profit for the half-year		(105,176)	(26,744)
Total recognised income and expense for the half-year		(105,176)	(26,744)
Transactions with equity holders in their capacity as equity holders			
Contributions of equity, net of transaction costs and tax		339	443
Distributions provided for or paid		-	(3,750)
		339	(3,307)
Total equity at the end of the half-year		(8,117)	123,375

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

Allco Max Securities & Mortgage Trust
Cash Flow Statement
for the half-year ended 31 December 2008

	Note	31 December 2008 $,000	31 December 2007 $,000
Cash flows from operating activities			
Interest income received		40,487	30,982
Interest paid		(30,449)	(22,691)
Payments to suppliers and employees		(1,708)	(916)
Net cash from operating activities		8,330	7,375
Cash flows from investing activities			
Payments for approved investments		28,103	(198,991)
Proceeds from sale of approved investments		-	73,491
Net cash from investing activities		28,103	(125,500)
Cash flows from financing activities			
Proceeds from the issue of units		-	-
Proceeds from borrowings		-	123,100
Repayment of borrowings		-	-
Distributions paid		(2,710)	(3,814)
Net cash from financing activities		(2,710)	119,286
Net increase in cash and cash equivalents		33,723	1,161
Cash and cash equivalents at the beginning of the half-year		57,392	10,814
Effect of exchange rate fluctuations on cash and cash equivalents		52	(49)
Cash and cash equivalents at the end of the half-year		91,167	11,926
Non-cash financing activities	9b	339	443

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

1. Significant accounting policies

Allco Managed Investment Funds Limited ("AMIFL" or "Responsible Entity") is the responsible entity for Allco Max Securities and Mortgage Trust ("MAX" or "the Scheme"). This general purpose financial report for the half-year ended 31 December 2008 covers the Scheme and has been prepared in accordance with accounting standard *AASB 134 Interim Financial Reporting*, and the *Corporations Act 2001*.

The half-year financial report was authorised for issue by the directors on 26 February 2009.

(a) Statement of compliance

This half-year financial report does not include all the information required for a full annual financial report. Accordingly, this report is to be read in conjunction with the most recent annual report and any public announcements made by the Scheme during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 report. Amounts in the director's report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(b) Going Concern

A number of matters have arisen since the full year reporting date and persist after the balance date which casts significant uncertainty on the ability of the Scheme to continue as a going concern.

The negative NTA at 31 December 2008 was driven by a further deterioration in the mark to market value of the assets held by MAX. This deterioration primarily related to derivative financial instruments. The losses from this deterioration are currently unrealised.

The process of marking to market is conducted by independent financial institutions and is based on valuation procedures that follow accepted financial market practice. Valuation procedures are based on the assumption of a willing, but not forced, buyer and a willing, but not forced, seller. Although MAX believes this represents the most appropriate estimate of the carrying value of the assets as at the valuation date, it may not represent the price that could be obtained should the assets be sold and does not represent an assessment of losses that are likely to be incurred if the assets are held to maturity.

MAX has a "hold to maturity" strategy and is continuing to work towards implementation of the restructure of MAX's debt facilities to enable MAX to continue that strategy. AMIFL currently has no reason to believe that the restructure will not be successfully implemented although there can be no assurance that the restructure will be able to be concluded successfully.

1. Significant accounting policies (continued)

As detailed in Note 7, MAX has agreed to a restructure of its debt facilities which, if completed, will allow MAX to continue its hold to maturity strategy. The directors have no reason to believe that the restructure will not be successfully completed. The directors of the Responsible Entity have considered the impact of these matters and concluded that the financial report should be prepared on a going concern basis. The continuing viability of the Scheme and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependant upon the Scheme being successful in reaching agreement with all parties on the proposed restructure of its debt facilities.

(c) Significant accounting policies

The accounting policies applied by the Scheme in this half-year financial report are the same as those applied by the Scheme in its financial report as at and for the year ended 30 June 2008.

(d) Investments and other financial assets

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

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

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

(i) Securities that are listed or traded on an exchange are fair valued on quoted “bid” prices on long securities and quoted “ask” prices on securities sold short.

(ii) Securities which are not listed on a securities exchange are valued using quotes from brokers. Investments in unlisted unit trusts are valued at the redemption price as established by the underlying trust’s responsible entity.

(iii) In the absence of quoted values or brokers’ representative prices, securities are valued using appropriate valuation techniques as reasonably determined by the Responsible Entity. These valuation techniques include the use of recent arm’s length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate used in a market rate at the balance sheet date applicable for an instrument with similar terms and conditions.

1. Significant accounting policies (continued)

Loans and receivables

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

Loans and receivables are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, applying discounted cash flows to calculate the fair value and any provision for doubtful debts.

(e) Hedging and derivative financial instruments

The Scheme uses derivative financial instruments including forward currency contracts 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.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (refer below).

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

Where the underlying asset is a loan or receivable (hedged item), the Scheme documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The Scheme also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of hedged items.

Fair value hedge

Where the underlying asset is a loan or receivable (hedged item), changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments (hedge instruments) do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

1. Significant accounting policies (continued)

Management fees

The Responsible Entity and Investment Manager have waived their right to earn management fees from 1 December 2007 until 30 November 2009 of an amount equal to $1.9 million per annum.

(f) 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.

2. Segment reporting

A segment is a distinguishable component of the Scheme that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Scheme's business segments, which are the primary basis of segment reporting. The business segment reporting format is based on the Scheme's management and internal reporting structure.

The Scheme is organised into one main business segment which operates solely in the business of credit arbitrage by borrowing money to lend and invest within Australia. While the Scheme operates from Australia only (the geographical segment), the Scheme may have investment exposures in different countries and across different industries.

	31 December 2008 $,000	31 December 2007 $,000
Total segment revenue	(72,147)	337
Total segment profit/(loss)	(105,176)	(26,744)
Total segment assets	815,633	858,447
Total segment liabilities	823,750	761,727

3. Net (loss)/gain on financial instruments held at fair value through profit or loss

	31 December 2008 $,000	31 December 2007 $,000
Unrealised (loss)/gain on financial instruments held at fair value through profit or loss	(105,415)	(31,646)
Realised (loss)/gain on financial instruments held at fair value through profit or loss	(2,194)	(158)
	(107,609)	31,804

4. Distributions paid and payable

	31 December 2008 $,000	31 December 2008 Cents per unit	31 December 2007 $,000	31 December 2007 Cents per unit
Timing distributions				
30 September quarter paid	-	-	1,805	1.05
31 December quarter payable*	-	-	1,945	1.20
	-	-	3,750	2.25

* Allco Funds Management Limited ("AFML"), a wholly owned subsidiary of Allco Finance Group Limited ("AFG"), has waived its right to receive distributions on the 10 million units held in the Scheme from 1 December 2007 until 30 November 2009. The cents per unit is based on units on issue excluding AFML's 10 million units.

5. Earnings per unit

Basic and diluted earnings per unit are both calculated using the net loss of $105,176,080 for the half-year ended 31 December 2008 (2007: $26,744,042).

	31 December 2008 Cents	31 December 2007 Cents
Basic earnings per unit	(59.90)	(15.57)
Diluted earnings per unit	(59.90)	(15.57)
	Number of units	**Number of units**
Weighted average number of ordinary units used in the calculation of basic earnings per unit	175,593,271	171,779,843
Weighted average number of ordinary units used in the calculation of diluted earnings per unit	175,593,271	171,779,843
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	175,593,271	171,779,843
Net Profit/(Loss)	(105,176,080)	(26,744,042)

6. Financial assets

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

	31 December 2008 $,000	30 June 2008 $,000
Current Assets		
Money Market Securities	40,339	47,200
Debt Securities	493,504	552,189
	533,843	599,389

(b) Loan assets at amortised cost

	31 December 2008 $,000	30 June 2007 $,000
Current Assets		
Loans and receivable assets	185,927	171,342
	185,927	171,342

MAX has provided loans to special purpose vehicles established for the purpose of refinancing two Record Realty Trust (RRT) property transactions: ASX Building (20 Bridge Street, Sydney) and the Gosford Workcover Head office (Gosford, NSW). As at 31 December 2008, MAX held A$100.5m of loan notes which are indirectly secured over the Bridge Street property and A$35.1m of loan notes which are indirectly secured over the Gosford property.

MAX provided loans by way of subscribing for loan notes to a special purpose vehicle (Max Realty) which has in turn provided loans (Underlying Loans) to special purpose vehicles established for the purposes of refinancing the two aforementioned RRT property transactions. The Underlying Loans contain financial covenants, including loan-to-value undertakings. In the event that a default occurs under the Underlying Loans, MAX may direct Max Realty to require repayment from the relevant special purpose vehicle. If the repayment is made, Max Realty is required to invest the proceeds in specified authorised investments to enable Max Realty to fund the interest payments on the loan notes held by MAX.

The re-valuations for these two properties (as at 30 June 2008) have caused breaches of the respective loan-to-value undertakings. With respect to the Gosford property, on 27 February 2008 Max Realty Pty Limited advised MAX that the loan to value ratio (LVR) breach was remedied within the remedy period.

With respect to the Bridge Street property, on 20 February 2009 the Agent (BOS International (Australia) Limited) issued notices to CRC Bridge Street Pty Limited (Borrower) and the security trustee stating that, in Max Realty Pty Limited's opinion, an event of default had occurred and reserving all of Max Realty Pty Limited's rights under the loan agreement.

6. Financial assets (continued)

MAX attempted to engage with the Borrower and the other parties with a view to determining a course of action in relation to the repayment of the loan, however those discussions did not result in an outcome satisfactory to MAX. Therefore, on the instructions of Max Realty Pty Limited, the Agent has:

1. issued a notice to the Borrower demanding immediate repayment of the loan; and
2. issued a notice to the security trustee requesting the security trustee to commence enforcement action including by way of the appointment of a receiver and manager to all the secured property.

We understand that the Borrower does not admit that there is an event of default and that the Borrower may challenge the appointment of the receiver and the enforcement of the security by the security trustee.

Given the secured priority position held by MAX, the loan notes are not considered to be currently impaired.

7. Interest-bearing loans and borrowings

	31 December 2008 $,000	**30 June 2008 $,000**
Current liabilities		
Short term notes	223,100	223,100
Medium term notes	533,710	533,222
	756,810	756,322

Restructure of debt facilities

MAX advises that it has reached agreement with Societe Generale, its warehouse facility provider and beneficial holders of the majority of its medium term notes on the principal commercial terms of a restructure of its debt facilities. The key terms of the restructure are set out below.

The agreement is subject to a number of conditions precedent including obtaining all necessary waivers, consents and approvals from third parties who are not parties to the agreement. If the conditions are not satisfied, or Societe Generale forms the view that the conditions will not be satisfied, the agreement will terminate. Each party to the agreement has agreed to use reasonable endeavors to implement the restructure on the agreed terms.

The restructure is intended to address the issues that MAX has discussed in previous announcements. In particular, there is a risk that the Warehouse Notes may be repriced to a level that is not consistent with MAX's ongoing compliance with its portfolio tests and could lead to an event of default under MAX's debt programme. Furthermore, to the extent MAX was able to remedy portfolio test breaches via asset sales, based on current market conditions, MAX would be expected to realise significant losses and in turn reduce the underlying capital base of the trust. Such assets sales and/or the prospect of continued portfolio test breaches could also lead to a default under MAX's debt programme. AMIFL, the Responsible Entity of MAX, has concluded that, having regard to these matters, a restructure of the terms of the agreement is in the best interests of the unitholders of MAX.

7. Interest-bearing loans and borrowings (continued)

The key terms of the restructure are as follows:

- The legal final maturity date of the notes held by the warehouse facility provider and other investors will be extended to 31 December 2027.
- The margin payable on the notes held by the warehouse facility provider will be 2.15% per annum (0.70% per annum at 30 June 2008).
- The margin payable on the notes held by other investors will be increased to 0.75% per annum (0.28% per annum at 30 June 2008 on the notes due to expire in December 2009 and 0.32% per annum on the notes due to expire in December 2010).
- In addition, a deferred interest amount will accrue on outstanding notes at a rate of 6.0% per annum (in the case of notes held by the warehouse facility provider) and 2.0% per annum (in the case of notes held by other investors). The deferred interest amount is only payable following the repayment in full of the principal amount of the notes and then only to the extent MAX has excess cash flow or if the legal final maturity date or an event of default has occurred. This additional interest will be subordinated to all other secured amounts owed by MAX (including other interest owing on the notes) but will be paid ahead of distributions to unitholders.
- The principal amount outstanding on the notes will be repaid on a pro-rata basis during the term of the notes to the extent MAX has excess cash flow.
- MAX undertakes not to dispose of assets at less than certain specified percentages of par value, unless the approval of noteholders is obtained. In addition, subject to approvals required under the listing rules and certain other conditions, MAX undertakes to offer and effect a sale of its assets following the fifth anniversary of the restructure date.
- MAX also undertakes not to pay any distributions to MAX unitholders until all amounts owing to noteholders have been paid in full. MAX will retain the ability to pay distributions in the form of new units in accordance with its constitution.

In addition, under the agreement, the warehouse facility provider has agreed not to exercise any rights to re-price any notes it holds under the terms of the warehouse facility until the earlier of the termination of the agreement or the date of satisfaction of all conditions precedent. On the date of satisfaction of all conditions precedent the warehouse facility will terminate and accordingly the re-pricing right will cease to apply.

MAX will advise the market when the final documentation for the restructure has been signed. Whilst MAX continues to engage with its stakeholders in constructive negotiations, unless and until restructuring documentation is signed, there can be no assurance that the restructure of MAX's debt facilities will be able to be concluded successfully.

In order to maintain the 'BBB-' rating assigned to the MTN's on issue the Scheme must pass a number of portfolio tests at all times.

Max was in breach of the following portfolio tests as at 31 December 2008:

- The Static Capital Adequacy Test is in breach by A$34.0 million.
- The MTN Liquidity Test is in breach by A$1.7 million.
- The Dynamic Capital Adequacy Test is in breach by $4.4 million

7. Interest-bearing loans and borrowings (continued)

Upon approval by the Secured Creditors to MAX, the Security Trustee has approved an extension to the grace period for compliance with the portfolio tests. The expiration date is the earlier of 31 March 2009 and the date on which the aforementioned restructure agreement is terminated.

If the Scheme fails to correct the breach within the permitted grace period, an Early Amortisation Event will occur. In the occurrence of an Early Amortisation the Scheme must use its best endeavours to remedy the relevant breach. If the breach is not remedied with 6 months of the occurrence of the Early Amortisation Event then the Security Trustee will convene a meeting at which the creditors of the Scheme will vote on the following course of action:

- Declare an Event of Default and take all actions available to them (primarily the enforcement of security).
- Continue with the Early Amortisation Event imposing such conditions as they consider proper and (if considered appropriate) replace the Investment Manager.

While an Early Amortisation Event is subsisting, distributions to unitholders cannot be made.

Following an Event of Default, distributions to unitholders may only be made once the Scheme's creditors and any other expenses of the Scheme have been paid in full.

In connection with the proposed restructure of MAX's debt facilities, it is proposed that the portfolio tests under MAX's debt programme will be restructured such that MAX will be able to maintain compliance with the portfolio tests provided that it establishes and maintains sufficient reserves (a) to meet anticipated future shortfalls between MAX's payments and expected collections, and (b) an amount to be agreed between MAX and its noteholders following discussions with Standard & Poor's which is intended to ensure MAX's ongoing solvency and liquidity.

8. Derivative financial instruments

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

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

8. Derivative financial instruments (continued)

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.

	31 December 2008 $'000	30 June 2008 $'000
Derivative financial instruments – current assets		
Interest Rate Swaps – Fair Value Hedges	-	1,743
Interest Rate Swaps – Held for Trading	-	23,635
	-	25,378

	31 December 2008 $'000	30 June 2008 $'000
Derivative financial instruments – current liabilities		
Interest Rate Swaps – Fair Value Hedges	(11,602)	-
Interest Rate Swaps – Held for Trading	(52,513)	-
	(64,115)	-

MAX notes that certain swap counterparties have early termination options and other rights of termination in certain other circumstances which may require MAX to pay the value of the transaction to the swap counterparty and, if a replacement derivative transaction is not entered into, result in MAX being unhedged in relation to the corresponding asset.

9. Issued capital

(a) Unitholder Funds

	31 December 2008 Units	30 June 2008 Units	31 December 2008 $	30 June 2008 $
Ordinary units fully paid	176,439,524	173,928,062	154,412,969	154,073,692
	176,439,524	173,928,062	154,412,969	154,073,692

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

9. Issued capital (continued)

(b) Movements in unitholder funds

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

	Number of units		Issue Price	$
Movement in ordinary units				
Opening balance 1 July 2007	171,496,706			153,204,056
Units reinvested, 31 August 2007	364,838	$	0.78	283,654
Units reinvested, 30 November 2007	244,741	$	0.65	159,180
Units reinvested, 28 February 2008	547,737	$	0.36	198,165
Units reinvested, 30 May 2008	1,274,040	$	0.18	228,637
Closing balance at 30 June 2008	**173,928,062**			**154,073,692**
Undistributed income				(57,354,054)
Total equity 30 June 2008				**96,719,638**
Movement in ordinary units				
Opening balance 1 July 2008	173,928,062			154,073,692
Units reinvested, 31 August 2008	2,511,462	$	0.14	339,277
Units reinvested, 30 November 2008	-	$	-	-
Closing balance at 31 December 2008	**176,439,524**			**154,412,969**
Undistributed income				(162,530,134)
Total equity 31 December 2008				**(8,117,165)**

(c) Distribution reinvestment plan

The Scheme has established a distribution reinvestment plan under which holders of ordinary units may elect to have all or part of their distribution entitlements satisfied by the issue of new ordinary units rather than by being paid in cash. Currently, units issued under the plan are at a 0% discount to the market price.

(d) Unrealised gains/(losses)

At the reporting date, the Scheme had net unrealised losses of $105,415,072 (30 June 2008 loss: $59,246,444), which if realised are available for offset against future taxable income.

(e) Realised gains/(losses)

At the reporting date, the Scheme had realised taxable capital losses of $2,194,317 (30 June 2008 loss: $222,067), available to offset future assessable capital gains.

10. Events occurring after balance sheet date

Portfolio Tests

As detailed in Note 7, the Security Trustee has granted MAX a conditional waiver in relation to the grace period extension date for the breach of the portfolio tests. The conditional waiver was due to expire on 31 January 2009 however this has been extended to the earlier of 31 March 2009 and the date on which the aforementioned restructure agreement is terminated.

As detailed in Note 6, MAX considers that an event of default has occurred in relation to the Bridge Street property and that the LVR breach was remedied within the remedy period in relation to the Gosford property.

Proposed change of responsible entity

Under the agreement for the restructure of MAX's debt facilities, AMIFL has agreed to use its best endeavours to effect its replacement as the responsible entity and investment manager of MAX as soon as reasonably practicable. In each case, AMIFL will endeavour to ensure the replacement is acceptable to MAX's noteholders and the replacement responsible entity will need to be appointed by MAX's unitholders.

The directors are not aware of any other matter or circumstance that has occurred since balance sheet date that would impact the financial position of the Scheme disclosed in the balance sheet as at 31 December 2008 or on the results and cash flows of the Scheme of the year ended on that date.

11. Contingencies

There are no outstanding contingent assets and liabilities or commitments at 31 December 2008.

Directors' declaration

In the opinion of the directors of Allco Managed Investment Funds Limited, the responsible entity of Allco Max Securities & Mortgage Trust:

(a) the financial statements and notes, set out on pages 11 to 26, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the Scheme as at 31 December 2008 and of their performance, as represented by the results of their operations and cash flows, for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney this 27th day of February 2009.

Signed in accordance with a resolution of the directors:

Ian Tsicalas
Chairman

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INDEPENDENT AUDITOR'S REVIEW REPORT
to the unitholders of Allco Max Securities & Mortgage Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Allco Max Securities & Mortgage Trust ("Scheme"), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Scheme.

Directors' Responsibility for the Half-Year Financial Report

The directors of Allco Managed Investment Funds Limited (the responsible entity) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Scheme's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Allco Max Securities & Mortgage Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Scheme's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Without qualification to the conclusion expressed above we draw attention to Note 7 and Note 10 in the financial report which indicates the following matters:

Significant uncertainty regarding continuation as a going concern

Termination of short term note purchase warehouse facility provided by Societe Generale Australia Branch

As detailed in Note 7, the Scheme reached an agreement with Societe Generale and the beneficial holder of the majority of the Scheme's medium term notes on the principal terms of a restructure of the debt facilities. At the date of this report, the agreement has not yet been signed. Should the agreement not be signed by the third parties, whose approvals are required by 31 March 2009, the future profitability and viability of the Scheme could be significantly impacted.

Breach on the S&P MTN Liquidity test

The Scheme is required to achieve a number of portfolio tests in order to maintain its rating from Standard & Poors on the Medium Term Notes it has issued. At 31 December 2008, the Scheme was in breach of a key test. Should the Scheme be unable to rectify the breach within the required timeframe, the creditors of the Scheme will ultimately be able to vote on certain courses of actions which as disclosed in Note 7 creates uncertainty over the ability of the Scheme to continue to operate as a going concern

PRICEWATERHOUSECOOPERS

Allco Max Securities & Mortgage Trust's relationship with Allco Finance Group Limited)

The Scheme receives the benefit of, and is reliant upon, a number of management, administration and other services from the responsible entity. The responsible entity is a wholly owned subsidiary of Allco Finance Group Limited which is in receivership. In Note 10, the directors note that they are in discussions with third parties in relation to the ongoing management of the Scheme, as well as the appointment of a replacement responsible entity.

These conditions, along with other matters referred to in Note 7 and Note 10 indicate the existence of significant uncertainties, the resolution of which will be determined by future events and which may cast significant doubt about the Scheme's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

EA Barron
Partner

Sydney
27 February 2009