APPENDIX 4E

Annual Report
For the year ended 30 June 2011

Name of entity:	**Max Trust**

1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

Current Reporting Period:	**12 months to 30 June 2011**
Previous Corresponding Period	12 months to 30 June 2010

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

		2011 A$'000	2010 A$'000
2.1	Revenue from ordinary activities	down 14.56% to 25,116	29,395
2.2	Pre-tax profit/(loss) from ordinary activities	down 15.11% to 22,525	26,533
2.3	After-tax profit/(loss) for year ended 30 June	down 15.11% to 22,525	26,533

		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 2011 distribution - 30 June 2011

No distribution was declared or paid for the year ended 30 June 2011.

3 NET TANGIBLE ASSETS PER SECURITY

NTA per security as at 30 June 2011 (Ex distribution)	**$0.42**
NTA per security as at 30 June 2010 (Ex distribution)	$0.30

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

Max Trust
ARSN: 115 268 669

Annual Financial Statements

30 June 2011

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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 report of the Scheme, for the year ended 30 June 2011.

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
- Michael Britton
- Vicki Allen (resigned 18 March 2011)
- Andrew Cannane (appointed 31 March 2011)
- David Grbin
- Adrian Lucchese – Joint Company Secretary (resigned 28 January 2011)
- Alex Carrodus – Joint Company Secretary (appointed 28 January 2011)
- Sally Ascroft – Joint Company Secretary

Sally Ascroft acted as an alternate director for Michael Britton for the period 31 March 2011 to 24 June 2011.

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

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

Principal activities

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

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

Review of operations

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

Results
The net profit of the Scheme, as presented in the statement of comprehensive income for the financial year ended 30 June 2011, was $22,524,666 (2010: Profit of $26,532,890).

Distributions
The distribution of income from the Scheme for the financial year ended 30 June 2011 was $Nil (2010: $Nil).

Net Assets
The Scheme held net assets of $74,785,698 at 30 June 2011 (2010: $52,261,031). The basis for the measurement of the Scheme's net assets is disclosed in Note 1 to the financial statements.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs in the current year. Following the restructure of the debt funding, the scheme became a static investment vehicle with a hold to maturity strategy. Subject to meeting certain criteria, assets may be sold prior to maturity, but no new investments will be made.

Likely developments

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

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

Events occurring after the reporting date
As a result of the recent volatility in global markets, an assessment was performed subsequent to year end on the changes in fair value of the debt securities held by the Scheme at 30 June 2011. The fair values at 15 August 2011 indicate a 2% decline in the underlying portfolio since 30 June 2011. This is largely driven by the CDO portfolio which historically has reacted poorly to adverse news in global markets.

Other than the above, the directors are not aware of any 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 2011 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 $26,000 (2010: $28,000).

No interests were held in the Scheme by the Responsible Entity or its associates during the year and up to the date of this report.

Interests in the Scheme

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

	2011 No.	**2010 No.**
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 7.

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

Michael Britton
Director

Sydney
26 August 2011

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Auditor's Independence Declaration

As lead auditor for the audit of Max Trust for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Max Trust during the period.

Chris Cooper
Partner
PricewaterhouseCoopers

Sydney
26 August 2011

Max Trust
Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Investment Income			
Interest and yield related income	4	25,116	29,395
Net gain on financial instruments	5	30,004	37,109
Other Income		142	-
Total Investment Income		55,262	66,504
Expenses			
Finance costs	6(a)	31,083	37,718
Other operating expenses	6(b)	1,389	2,075
Auditor's remuneration	7	265	178
Total Expenses from Operating Activities		32,737	39,971
Net Profit for the year attributable to Unitholders of the Scheme		22,525	26,533
Other Comprehensive Income		-	-
Total Comprehensive Income		22,525	26,533
		Cents	Cents
Earnings per unit for profit:			
Basic & Diluted earnings per unit	19	12.8	15.0

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

	Note	2011 $'000	2010 $'000
Assets			
Cash and cash equivalents	8	42,226	19,156
Trade and other receivables	9	2,627	4,554
Financial assets at fair value through profit or loss	10(a)	204,499	400,470
Derivative financial instruments	11	13,398	7,690
Loan assets held at amortised cost	10(b)	32,127	68,037
Total assets		294,877	499,907
Liabilities			
Trade and other payables	12	433	778
Derivative financial instruments	11	1,758	8,088
Interest-bearing loans and borrowings	13	217,900	438,780
Total liabilities		220,091	447,646
Net assets		74,786	52,261
Equity			
Issued capital			
- Ordinary units	14(a)	154,413	154,413
Accumulated losses	16	(79,627)	(102,152)
Total equity		74,786	52,261

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 2011

	Accumulated Losses $'000	Ordinary Units $'000	TOTAL $'000
Balance at 1st July 2009	**(128,685)**	**154,413**	**25,728**
Total comprehensive income for the year ended 30 June 2010	26,533	-	26,533
Balance at 30 June 2010	**(102,152)**	**154,413**	**52,261**
Total comprehensive income for the year ended 30 June 2011	22,525	-	22,525
Transactions with owners in their capacity as owners	-	-	-
Balance at 30 June 2011	(79,627)	154,413	74,786

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

Max Trust
Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Interest income received		27,023	32,201
GST received		143	-
Payments to suppliers		(1,978)	(3,178)
Net cash from operating activities	20	25,188	29,023
Cash flows from investing activities			
Proceeds from redemptions of approved investments		249,819	229,183
Net cash from investing activities		249,819	229,183
Cash flows from financing activities			
Repayment of borrowings		(232,047)	(231,843)
Interest paid		(19,918)	(25,880)
Net cash used in financing activities		(251,965)	(257,723)
Net increase in cash and cash equivalents		23,042	483
Cash and cash equivalents at 1 July		19,156	18,648
Effect of exchange rate fluctuations on cash and cash equivalents		28	25
Cash and cash equivalents at 30 June		42,226	19,156
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 2011 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 26 August 2011.

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

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB"), other authoritative pronouncements of the AASB, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

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

(b) Basis of preparation

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

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

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Other than the items detailed in the accounting policies below there are no differences in actual and estimated results.

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

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

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

(f) Finance costs

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

(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, unit registry fees and regulatory exchange costs have been passed onto the Scheme.

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

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

(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

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

(k) Investments and other financial assets

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

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

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

1. Significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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

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

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

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

These private transactions which have been valued using this method:

- Mobius NCM Class M;

The Scheme historically has adopted a methodology of marking these exposures to par value unless; the exposure has experienced permanent impairment. The Investment Manager has adopted this methodology in the marking of the assets.

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

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

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

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

(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) Interest-bearing loans and borrowings

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

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

(o) 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.

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 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 unitholders until all amounts owing to noteholders have been paid in full. The Scheme will retain the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.

(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 key accounting estimates and judgements are around determining the fair value of assets where there is not a readily determinable market price. Refer to Note 17 for further information on the determination of fair values.

(u) New standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 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 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 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 as the Scheme does not hold any available-for-sale investments.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Scheme will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Scheme's financial statements.

1. Significant accounting policies (continued)

(u) New standards and interpretations (continued)

(iii) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First-time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Scheme intends to apply the amendment from 1 July 2011. The amendments will not have any impact on the Scheme's disclosures.

(iv) Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Scheme does not expect that any adjustments will be necessary as and result of applying the revised rules.

2. Segment information

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

Entity-wide disclosures

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

Refer to Note 17 for details of foreign currency exposures.

3. Going Concern

Notwithstanding the accumulated losses of $79,627,271 the financial statements have been prepared on a going concern basis. Under the terms of the Pass Through Notes principal on the notes is only required to be repaid to the extent that cash is received from underlying investments. Consequently, the Scheme is only required to repay principal on the notes to the extent that it has sufficient cash to do so.

4. Interest and yield related income

	2011 $'000	2010 $'000
Interest on;		
Cash and cash equivalents	1,850	1,379
Financial assets at fair value through profit or loss	21,136	24,556
Loans and receivables	2,130	3,460
	25,116	29,395

5. Net gain/loss on financial instruments

	2011 $'000	2010 $'000
Unrealised gain on financial instruments held at fair value through profit or loss	33,813	36,829
Realised gain/(loss) on financial instruments held at fair value through profit or loss	2,120	121
Realised gain/(loss) on assets held at amortised cost	(5,929)	159
	30,004	37,109

6. Expenses

(a) Finance costs

	2011 $'000	2010 $'000
Interest and finance charges paid or payable	30,874	37,447
Amortisation of debt establishment costs	209	271
	31,083	37,718

(b) Operating expenses

	2011 $'000	2010 $'000
Investment manager's fees	820	868
Managed portfolio management fees	-	(51)
Responsible entity's fees	356	358
Treasury management fees	-	72
Legal expenses	50	297
Other expenses	163	531
	1,389	2,075

7. Auditor's remuneration

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

	2011 $	2010 $
Audit Services:		
PricewaterhouseCoopers		
Audit and review services	175,000	115,000
Other audit and review services	90,000	62,700
	265,000	177,700

8. Cash and cash equivalents – current assets

	2011 $'000	2010 $'000
Cash at bank and on hand	42,226	19,156
Cash and cash equivalents in the statement of cash flows	42,226	19,156

The $42.2 million cash at bank and on hand disclosed in this note includes the following two reserves which have been established subsequent to the debt restructure.
Liquidity Reserve of $9,033,086 (30 June 2010 $13,045,148)
Unscheduled Expense Reserve of $1,003,572 (30 June 2010 $1,003,420)

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

9. Trade and other receivables – current assets

	2011 $'000	2010 $'000
Interest receivable	2,472	4,380
Other receivables	153	174
GST receivable	2	-
	2,627	4,554

10. Financial assets

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

	2011 $'000	2010 $'000
Held for Trading Securities		
Debt Securities	204,499	400,470
	204,499	400,470

(b) Loans and receivables held at amortised cost

	2011 $'000	2010 $'000
Loans and receivable assets	32,127	68,037
	32,127	68,037

The fair value of loans and receivable asset at 30 June 2011 was $27,001,246 (2010: $61,802,514). The difference in the fair value and the amortised cost of loans and receivables are as a result of an amortisation charge relating to historical discontinued hedge accounting.

(c) Classification

	2011 $'000	2010 $'000
Current	97,252	125,964
Non-current	139,374	342,543
	236,626	468,507

10. Financial assets (continued)

(d) Underlying Investments

	Fair Value 30 June 2011 $'000	Fair Value 30 June 2010 $'000
Debt Securities		
Apollo 2007-1E RMBS	1,555	1,965
HBOS Swan Series	1,804	2,328
Progress Trust 2006-1	2,949	3,797
REDS Trust	4,500	5,531
SMHL	3,400	4,735
Torrens Trust	4,473	6,180
AerCo Limited	-	1,453
AMR Corporation	-	5,969
Belo Plc	9,013	11,404
Bishopsgate CDO Limited	-	4,661
Centro SC Securities	5,037	1,122
CFS Retail Property Trust	2,969	18,900
Coca-Cola Amatil Limited	-	5,495
Continental Airlines Inc	-	6,317
Countrywide Financial	-	14,915
Elm BV	11,951	11,606
Fountain PI Trust	13,304	11,934
Generali Finance	11,688	12,036
Glitnir Bank	-	-
GPT RE Limited	-	9,977
Hannover Finance SA	7,314	7,227
Herald Limited Series 24	-	4,649
Khamsin Credit Products	7,835	6,636
Lease Investment Flight	1,263	4,715
Macquarie Bank Limited	5,340	17,669
Merrill Lynch & Co	-	9,999
Mobius AllMortgage Trust	-	30,000
Mobius NCM-03	7,926	17,714
Mobius NCM-04 (Tranche C)	8,158	21,607
Mobius NCM-04 (Tranche D)	16,861	17,000
Morgan Stanley Inc	19,721	19,089
National Capital Instruments	5,469	4,657
National Capital Trust	9,677	9,197
Northwest Airlines Inc	7,917	9,809
Obelisk Trust	3,334	7,258
Paragon Mortgages PLC	5,033	4,737
Pepper Trust No 7 RMBS	2,423	3,946
Rainbow ABS CDO 2003	-	7,095
Rock & Rubble	8,558	6,000

10. Financial assets (continued)

(d) Underlying investments (continued)

	Fair Value 30 June 2011 $'000	Fair Value 30 June 2010 $'000
Debt Securities (continued)		
Sapphire IV NZ RMBS	3,910	3,331
SLM Corporation	-	9,546
Tabcorp Holdings Limited	9,999	10,039
Transurban Finance Limited	-	11,856
Westfield Management Limited	-	9,998
Wide Bay Trust	1,118	1,386
Woolworths Limited	-	4,985
Held for trading securities - debt securities	**204,499**	**400,470**

	Amortised Cost 30 June 2011 $'000	Amortised Cost 30 June 2010 $'000
CRC Gosford Pty Ltd	-	29,638
Qantas Airways Limited	32,127	38,399
Loans and receivables assets	**32,127**	**68,037**
	236,626	**468,507**

11. Derivative financial instruments

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

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

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

- hedging to protect an asset or liability of the Scheme against a fluctuation in market values or to reduce volatility; and
- adjusting asset exposures within the parameters set in the investment strategy.

	2011 $'000	2010 $'000
Derivative financial instruments – current assets		
Interest Rate and Cross Currency Swaps – Fair Value through Profit or Loss	13,398	7,690
	13,398	7,690
Derivative financial instruments - current liabilities		
Interest Rate and Cross Currency Swaps – Fair Value through Profit or Loss	1,758	8,088
	1,758	8,088

12. Trade and other payables – current liabilities

	2011 $'000	2010 $'000
Other accrued expenses	433	778
	433	778

13. Interest-bearing loans and borrowings

(a) Loans and Borrowings

	2011 $'000	2010 $'000
Pass Through Notes - Principal	188,110	420,299
Interest payable - Pass Through Notes	346	692
Interest payable - Deferred Margin	30,132	18,621
Debt related initial costs	(688)	(832)
	217,900	438,780

(b) Classification

	2011 $'000	2010 $'000
Current	97,252	125,964
Non-Current	120,648	312,816
	217,900	438,780

The current estimate of the deferred margin that is expected to be paid in the future once all the principal amount of the Pass Through notes have been repaid is $37,317,571 (2010: $27,508,452). This amount has been discounted using the effective interest rate method back to a present value of $30,132,434 (2010: $18,621,849).

13. Interest-bearing loans and borrowings (continued)

A summary of the amended debt facility terms and conditions at 30 June 2011 are:

Class	Rating (S&P)	Amount Outstanding	Coupon	Deferred Margin	Maturity	Ranking
A1	A-	47,990,925	BBSW + 2.15%	6.00%	20 December 2039	Pari Passu
A2	A-	140,119,488	BBSW + 0.75%	2.00%	20 December 2039	Pari Passu
		188,110,413				

Comparative information as at 30 June 2010

Class	Rating (S&P)	Amount Outstanding	Coupon	Deferred Margin	Maturity	Ranking
A1	A-	$107,227,180	BBSW + 2.15%	6.00%	20 December 2039	Pari Passu
A2	A-	$313,072,060	BBSW + 0.75%	2.00%	20 December 2039	Pari Passu
		$420,299,240				

14. Issued capital

(a) Unitholder Funds

	2011 Units	2010 Units	2011 $	2010 $
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

14. Issued capital (continued)

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	Issue Price	$
Movement in ordinary units			
Opening balance 1 July 2009	176,439,524		154,412,969
Units reinvested	-	$ -	-
Closing balance at 30 June 2010	**176,439,524**		-
Accumulated Losses			(102,151,938)
Total equity 30 June 2010			**52,261,031**
Movement in ordinary units			
Opening balance 1 July 2010	176,439,524		154,412,969
Units reinvested	-	$ -	
Closing balance at 30 June 2011	**176,439,524**		-
Accumulated Losses			(79,627,271)
Total equity 30 June 2011			**74,785,698**

(c) Distribution reinvestment plan

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

(d) Unrealised gains

At the reporting date, the Scheme had net unrealised gains of $33,813,230 (30 June 2010: gains of $36,828,890).

(e) Realised gains

At the reporting date, the Scheme had realised taxable capital losses of $3,809,154 (30 June 2010: gains of $279,894). Carried forward capital losses are available to offset the current year and future years' assessable capital gains.

15. Distributions paid and payable

No distributions have been paid during the years to 30 June 2011 and 30 June 2010 and no distributions are payable at 30 June 2011 and 30 June 2010.

16. Accumulated Losses

	2011 $'000	2010 $'000
Opening balance	(102,152)	(128,685)
Net profit for the year	22,525	26,533
Closing balance	**(79,627)**	**(102,152)**

17. Financial risk management and financial instruments

Overview

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

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

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 Threadneedle. 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 Portfolio.

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
   - 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

17. Financial risk management and financial instruments (continued)

(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 100% of its interest rates on financial assets and liabilities are floating. Borrowings issued at variable rates expose the Scheme to cash flow interest rate risk.

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

Fixed interest rate swaps currently in place cover 102% (2010: 100%) of the asset principal outstanding and are timed where possible to expire at the maturity or matched to the amortisation of the underlying assets. The variable rates are between 0.60% and 1.77% (2010: 0.31% and 1.77%) above the 90 day bank bill rate which at balance date was 5.03% (2010: 4.92%). The swaps mature over the next ten years in line with the maturity of the related loans.

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

Sensitivity analysis

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

(ii) Currency risk

The Scheme is exposed to currency risk as a result of investments in financial instruments denominated in a currency other than the functional currency (Australian dollars) of the Scheme. The Scheme is exposed to foreign currency risk from fluctuations in the United States dollar, New Zealand dollar and the Euro. The Scheme has adopted a risk management policy to hedge financial instruments denominated in foreign currencies by entering into cross currency swaps and interest rate swaps. The Australian dollar income stream of the hedged instrument does not fluctuate for the

17. Financial risk management and financial instruments (continued)

(ii) Currency risk (continued)

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 2011 was USD$831,161 EURO€505,081 and NZD $3,911,395 (2010: USD$655,857, EURO€1,699 and NZD$11,744).

Sensitivity analysis

A 10% movement at 30 June 2011 would have increased/(decreased) the net assets attributable to unitholders and profit or loss from operating activities by the amounts shown below. Given that the majority of the Scheme's assets are hedged (with the exception of cash), the impact on the profit or loss from operating activities would be mitigated due to the existence of the swap. This analysis assumes that all other variables held constant. The analysis was performed on the same basis for 2010. Amounts stated below show the effect of each individual currencies, however is stated in Australian dollars.

	2011			2010		
Total exposure to foreign currency:	**USD**	**EUR**	**NZD**	**USD**	**EUR**	**NZD**
10 percent increase of AUD						
Net exposure (AUD)	77,298	68,186	301,177	76,735	243	951
10 percent decrease of AUD						
Net exposure (AUD)	(77,298)	(68,186)	(301,177)	(76,735)	(243)	(951)

(iii) Credit spread risk

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

(b) Credit risk (Receivable risk)

At the end of reporting date 11% (2010: 18%) 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 and Qantas Airways Ltd 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.

17. Financial risk management and financial instruments (continued)

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

Rating	30 Jun 2011 $'000	30 Jun 2010 $'000
AAA	21,104	28,482
AAA - AA+	9,013	11,404
AA	5,033	4,737
AA-	-	4,661
A+	15,146	13,854
A+ - BB+	8,158	21,607
A	30,004	77,225
A - AA	7,926	17,714
A-	36,896	94,884
A- - BBB	-	6,317
BBB+	13,304	21,973
BBB	18,557	6,000
BBB-	1,118	16,901
BB+	16,861	47,000
BB	8,947	4,453
BB- - D	3,334	7,258
B+	1,263	4,715
CCC-	7,835	11,285
#	32,127	68,037
	236,626	**468,507**

# Denotes private rating.

17. Financial risk management and financial instruments (continued)

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

	Total	Neither past due nor impaired	Past due but not impaired				Collectively impaired	Individually impaired
			< 30 days	30-60 days	60-90 days	>120 days		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011								
Cash and cash equivalents	42,226	42,226	-	-	-	-	-	-
Trade and other receivables	2,627	2,627	-	-	-	-	-	-
Financial assets at fair value through profit or loss	204,499	204,499	-	-	-	-	-	-
Loan assets held at amortised cost	32,127	32,127	-	-	-	-	-	-
- fixed interest rate	32,127	32,127						
- floating interest rate		-						
Derivative financial instruments	13,398	13,398	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-
Total	**294,877**	**294,877**						
2010								
Cash and cash equivalents	19,156	19,156	-	-	-	-	-	-
Trade and other receivables	4,554	4,554	-	-	-	-	-	-
Financial assets at fair value through profit or loss	400,470	400,470	-	-	-	-	-	-
Loan assets held at amortised cost	68,037	68,037	-	-	-	-	-	-
- fixed interest rate	68,037	68,037						
- floating interest rate	-	-						
Derivative financial instruments	7,690	7,690	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-
Total	499,907	499,907	-	-	-	-	-	-

Of the unrated loan assets of $32,126,659 (2010: $68,037,000), $32,126,659 (2010: $68,037,000) are supported by collateral of $168,472,819 (2010: $247,900,454). At 30 June 2011, collateral over loan assets consists of aircraft for Qantas assets.

17. Financial risk management and financial instruments (continued)

(c) Liquidity risk

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

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

The Scheme addresses liquidity risk through:

- Cashflow waterfalls set out in the Note and Security Trust Deed. In this way, expenses and costs 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 $9,000,000 (30 June 2010: $13 million) in a Liquidity Reserve comprised of cash and cash equivalents. This reserve will be maintained until the PT Note Balance is fully repaid;
- Maintenance of a minimum balance of $1,000,000 in an Unscheduled Expense Reserve. As set out above, this reserve is topped up at each payment date if its balance falls below the $1,000,000 target balance; and
- Matching asset and liability maturities where possible.

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

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

17. Financial risk management and financial instruments (continued)

	Carrying Amount $'000	Gross nominal $'000	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	>5 years $'000
2011							
Non-derivatives							
Trade and other payables	433	433	433	-	-	-	-
Interest-bearing loans and borrowings	217,900	246,994	-	39,528	65,786	141,680	-
Total non-derivatives	**218,333**	**247,427**	**433**	**39,528**	**65,786**	**141,680**	**-**
Derivatives							
Derivative financial instruments (Inflows)	157,051	151,270	-	7,315	23,228	57,489	63,238
Derivative financial instruments (Outflows)	(145,411)	(121,988)	-	(4,560)	(20,000)	(46,458)	(50,970)
	11,640	**29,282**	**-**	**2,755**	**3,228**	**11,031**	**12,268**
2010							
Non-derivatives							
Trade and other payables	778	778	778	-	-	-	-
Interest-bearing loans and borrowings	438,780	495,766	12,075	33,052	102,071	210,211	138,357
Total non-derivatives	439,558	496,544	12,853	33,052	102,071	210,211	138,357
Derivatives							
Derivative financial instruments (Inflows)	333,981	392,722	22,741	25,358	76,045	139,610	128,968
Derivative financial instruments (Outflows)	(334,379)	(394,412)	(22,455)	(24,400)	(74,725)	(139,071)	(133,761)
	(398)	(1,690)	286	958	1,320	539	(4,793)

(d) Fair Value

(i) Hierarchy

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

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

17. Financial risk management and financial instruments (continued)

At 30 June 2011	Level 2 $'000	Level 3 $'000	TOTAL $'000
Assets			
Financial assets at fair value through profit or loss	107,842	96,657	204,499
Derivatives	13,398	-	13,398
Total assets	121,240	96,657	217,897
Liabilities			
Derivatives	1,758		1,758
Total Liabilities	1,758	-	1,758

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

The following table presents the movement in level 3 instruments for the year ended 30 June 2011 by class of financial instrument.

LEVEL 3 MOVEMENT ANALYSIS

	2011 $'000	2010 $'000
Opening Balance	184,006	237,308
Sales	(96,232)	(48,169)
Gain or (loss) recognised in profit or loss	8,883	(5,133)
Closing Balance	96,657	184,006
Total gains or (losses) for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year	8,883	(5,133)

No transfers occurred between levels during the year.

17. Financial risk management and financial instruments (continued)

Sensitivity Analysis

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

At 30 June 2011	Favourable		Unfavourable	
	Profit and Loss $'000	Equity $'000	Profit and Loss $'000	Equity $'000
Financial Assets at Fair Value	2,900	(2,900)	(2,900)	2,900
Total	**2,900**	**(2,900)**	**(2,900)**	**2,900**

At 30 June 2010	Favourable		Unfavourable	
	Profit and Loss $'000	Equity $'000	Profit and Loss $'000	Equity $'000
Financial Assets at Fair Value	10,694	(10,694)	(10,694)	10,694
Total	**10,694**	**(10,694)**	**(10,694)**	**10,694**

(e) Capital risk management

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

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

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

18. Related parties

(a) Responsible entity

The Responsible Entity of the Scheme is The Trust Company (RE Services) Limited.

(b) Key management personnel

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

Directors and Officers

The Trust Company (RE Services) Limited

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

- John Atkin
- Michael Britton
- Vicki Allen (resigned 18 March 2011)
- Andrew Cannane (appointed 31 March 2011)
- David Grbin
- Adrian Lucchese – Joint Company Secretary (resigned 28 January 2011)
- Alex Carrodus – Joint Company Secretary (appointed 28 January 2011)
- Sally Ascroft – Joint Company Secretary

Sally Ascroft acted as an alternate director for Michael Britton for the period 31 March 2011 to 24 June 2011.

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

The Scheme does not directly employ any key management personnel. Instead, the provision of management services, 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 statements.

18. Related parties (continued)

(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 (2010: $330,000) per annum paid monthly in arrears. In addition to the flat fee, the Responsible Entity has also received $26,000 (2010: $28,000) towards costs recoveries and transaction fees. At 30 June 2011 $52,061 was payable to the Responsible Entity on account of their fees (30 June 2010: 29,836).

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

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

(d) Transactions with the Investment Manager

	2011 $	2010 $
Amounts recognised as expense		
Investment manager management fees - Threadneedle International Limited	820,000	867,894
	820,000	867,894

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

	2011 $	2010 $
Liabilities		
Investment manager management fees	220,000	220,000
	220,000	220,000

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.

19. Earnings per unit

Basic and diluted earnings per unit are both calculated using the net profit of $22,524,666 for the financial year ended 30 June 2011 (2010: gain of $26,532,890).

	2011 Cents	2010 Cents
Basic earnings per unit	12.8	15.0
Diluted earnings per unit	12.8	15.0
	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	22,524,666	26,532,890

20. Reconciliation of cash flows from operating activities

	2011 $'000	2010 $'000
Profit for the year	22,525	26,533
Add: Non operating items		
Net gain on financial instruments and Impairment loss on financial instruments	(30,004)	(37,109)
Finance costs	31,083	38,375
Changes in other assets/liabilities:		
(Increase)/decrease in trade and other receivable	1,929	2,149
Increase/(decrease) in trade payables	(345)	(925)
Net cash flow from operating activities	**25,188**	**29,023**

21. Events occurring after the reporting date

As a result of the recent volatility in global markets, an assessment was performed subsequent to year end on the changes in fair value of the debt securities held by the Scheme at 30 June 2011. The fair values at 15 August 2011 indicate a 2% decline in the underlying portfolio since 30 June 2011. This is largely driven by the CDO portfolio which historically has reacted poorly to adverse news in global markets.

Other than the above, the directors are not aware of any 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 2011 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.

22. Contingencies

There are no outstanding contingent assets and liabilities or commitments at 30 June 2011 (30 June 2010: $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 8 to 41, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Scheme as at 30 June 2011 and of its performance for the year ended on that date; and

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

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

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

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 26th day of August 2011.

Michael Britton
Director

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Independent auditor's report to the unitholders 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 2011, 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*.This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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.

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

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the unitholders of Max Trust

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Max Trust is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2011 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).

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Cooper
Partner

Sydney
26 August 2011

Corporate Governance Statement

General

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

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

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

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

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

Structure

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

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

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

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

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

Threadneedle International Ltd (**"the Investment Manager"**) manages and conducts surveillance on the asset portfolio and reports to the Responsible Entity and noteholders on a regular basis.

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

- Asset Surveillance
- Monitoring of existing asset hedges of the Scheme portfolio

- Execution of any Sale of Assets in accordance with the restrictions outlined in the restructure documents
- Quarterly reporting to unitholders
- Monthly Reporting to Noteholders
- Providing payment directions to the Cashflow and Systems Manager ("CSM") in relation to assets, liabilities and hedge payments
- Maintaining the Note Restructure Cashflow Model

ASX Corporate Governance Principles

As a listed entity and a managed investment scheme, MXQ is also required to comply with the ASX Listing Rules and provide a statement in MXQ's annual report disclosing the extent to which the Responsible Entity has followed the Corporate Governance Principles and Recommendations. Below, The Responsible Entity addresses each of the eight principles for the financial year ended 30 June 2011. This corporate governance statement is current as at the date of this Annual Report.

Principle 1
Lay solid foundations for management and oversight

Role of the board and management
The structure and role of the boards of the Responsible Entity and of any of the relevant appointed Service Providers are designed to responsibly maximise value for investors by providing appropriate oversight, strategic direction and independent commercial judgement.

The Responsible Entity has a constitution which sets out, amongst other things, the appointment and removal procedures for directors, board meeting requirements and remuneration policies. Internal procedures have been developed for:

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

The Responsible Entity's directors, along with management, have the role of ensuring that the Responsible Entity complies with its obligations as Responsible Entity of MXQ. The board (**"Board"**) generally meets monthly to consider client activities of the Responsible Entity and any relevant compliance matters but also meets when specific issues emerge. The Responsible Entity's management elevates relevant compliance matters to its Audit, Risk & Compliance Committee (**ARCC**). ARCC also fulfils the Responsible Entity's statutory responsibility to have a compliance committee in respect of MXQ.

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

The Responsible Entity's functions include:

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

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

Principle 2
Structure the board to add value

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

The Responsible Entity currently has four executive directors which meet monthly to consider the operational activities and financial performance of the Responsible Entity. The directors are provided by the Responsible Entity's parent company, the Trust Company Limited.

The procedures for selecting a Chairman, powers of the Board, appointment, removal and remuneration of Directors, Board meeting requirements and other related matters are set out in the Responsible Entity's constitution.

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

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

Principle 3
Promote ethical and responsible decision-making

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

Principle 4
Safeguard integrity in financial reporting

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

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

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

Principle 5
Make timely and balanced disclosure

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

Principle 6
Respect the rights of unitholders

The Responsible Entity is committed to providing timely and accurate information concerning MXQ to its unitholders. MXQ's compliance plan and constitution further set out the Responsible Entity's obligations and the rights of unitholders in this regard, including Unitholders rights to have their complaints addressed appropriately.

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

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

Principle 7
Recognise and manage risk

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

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

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

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

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

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

Principle 8
Remunerate fairly and responsibly

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

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

Other Information

All data below is quoted as at the end of trading on 18 August 2011

Distribution of ordinary units

Range	Holders	Units	% Capital
1-1,000	256	53,752	0.03%
1,001-5,000	237	818,217	0.46%
5,001-10,000	325	2,830,890	1.60%
10,001-100,000	935	33,232,666	18.84%
100,000 +	208	139,503,999	79.07%
Total	**1,961**	**176,439,524**	**100.00%**

Largest unitholders

The names of the 20 largest holders of ordinary units.

Name	Units	% Capital	Rank
HSBC Custody Nominees (Australia) Limited	17,990,684	10.20%	1
Allco Funds Management Limited	10,000,000	5.67%	2
ABN Amro Clearing Sydney Nominees Pty Ltd	6,676,775	3.78%	3
Perpetual Trustee Company	6,421,771	3.64%	4
National Nominees Limited	5,244,914	2.97%	5
Mr Rodney Pryor & Mrs Jennifer Pryor	5,000,000	2.83%	6
CIMB-GK Securities Pty Ltd	4,500,000	2.55%	7
Dahlenburg Superannuation Pty Ltd	4,000,000	2.27%	8
Ms Franciska Lasic	3,122,122	1.77%	9
JP Morgan Nominees	2,797,001	1.59%	10
Capri Trading Pty Ltd	2,750,000	1.56%	11
Mr James Meloy	2,733,923	1.55%	12
Mr Peter Manson	1,794,413	1.02%	13
Mr Rodney Pryor & Mrs Jennifer Pryor - ROCKTAGONAL SUPER FUND A/C	1,775,000	1.01%	14
Mr Huy Dinh Tran	1,750,001	0.99%	15
Ashford Pty Ltd	1,500,000	0.85%	16
Mr Christopher John West	1,301,235	0.74%	17
HDB Services Pty Ltd	1,175,870	0.67%	18
The Trust Company Ltd[1]	1,130,000	0.64%	19
RBC Dexia Investor Services Australia Nominees Pty Ltd	1,108,329	0.63%	20

[1] Held as custodian

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 370.

Unquoted securities
There are no unquoted securities on issue.

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

Secretary
The Trust Company (RE Services) Limited is the responsible entity of Max Trust.
Mr Alex Carrodus and Ms Sally Ascroft are Joint Company Secretaries of the Responsible Entity.

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

Registered office of Responsible Entity
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