Macquarie Income Timing Fund

ARSN 117 946 808

Annual report - 30 June 2010

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Contents

This financial report covers Macquarie Income Timing Fund as an individual entity.

The Responsible Entity of MQ Income Timing Fund is MQ Portfolio Management Limited (ACN 092 552 611). The Responsible Entity's registered office is Mezzanine Level, No.1 Martin Place, Sydney, NSW 2000.

Directors' report

The directors of MQ Portfolio Management Limited, the Responsible Entity of Macquarie Income Timing Fund, present their report together with the financial report of Macquarie Income Timing Fund ("Fund") for the year ended 30 June 2010.

Principal activities

The principal activity of the Fund is to trade in listed global securities in accordance with the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year, until it ceased trading on 19 November 2009.

Directors

The following persons held office as directors of MQ Portfolio Management Limited during the year or since the end of the year and up to the date of this report:

Bruce Neil Terry
Gervaise Robert John Heddle
Scot Thompson

Review and results of operations

During the year, the Fund continued to invest funds in accordance with its target asset allocation as set out in the governing documents of the Fund and in accordance with the provisions of the Fund Constitution.

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2010	30 June 2009
Operating (loss)/profit before finance costs attributable to unitholders ($)	**(11,496)**	2,291,384
Distributions		
Distribution paid and payable ($)	-	855,303
Distribution (cents per unit)	-	8.69

Significant changes in state of affairs

The Fund ceased trading on 19 November 2009.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year under review which are not otherwise disclosed in this report.

Directors' report (continued)

Matters subsequent to the end of the financial year

As at the date of this report the Directors are not aware of any matters or circumstances which have arisen since the end of the financial period which may significantly affect the future state of affairs of the Fund.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to either the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Fund against any losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity out of Fund property during the year are disclosed in note 10 of the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 10 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 6 of the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The Fund's operations are not regulated by any significant environmental regulations under a Commonwealth, State or Territory law.

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 4.

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

Scot Thompson
Director

Sydney
31 August 2010

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of MQ Portfolio Management Limited, as Responsible Entity for Macquarie Income Timing Fund

In relation to our audit of the financial report of Macquarie Income Timing Fund for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
31 August 2010

Statement of comprehensive income

	Notes	30 June 2010 $	30 June 2009 $
Investment income			
Interest income		**29,185**	416,553
Dividend income		**17,371**	1,201,041
Net gains on financial instruments held at fair value through profit or loss	5	**(30,480)**	1 ,090,064
Other operating income		**-**	7,337
Total net investment income		**16,076**	2,714,995
Expenses			
Responsible Entity's fees	10	**19,680**	329,733
Interest expense		**15**	79,579
Other operating expenses		**7,877**	14,299
Total operating expenses		**27,572**	423,611
Operating (loss)/profit		**(11,496)**	2 291,384
Finance costs attributable to unitholders			
Distributions to unitholders		**-**	(855,303)
Decrease/(increase) in net assets attributable to unitholders	6	**11,496**	(1,436,081)
Profit/(loss) for the year		**-**	-
Total comprehensive income for the year		**-**	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	**30 June 2010 $**	30 June 2009 $
Assets			
Cash and cash equivalents	7	-	2,700,519
Due from brokers - receivable for securities sold		-	4,656,878
Receivables		-	947
Financial assets held at fair value through profit or loss	8	-	2,162,265
Total assets		-	9,520,609
Liabilities			
Distributions payable		-	1,750
Other payables		-	52,494
Redemption Payable		-	474,000
Financial liabilities held at fair value through profit or loss		-	6,225
Total liabilities (excluding net assets attributable to unitholders)		-	534,469
Net assets attributable to unitholders - liability	6	-	8,986,140

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	30 June 2010 $	30 June 2009 $
Total equity at the beginning of the year	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the year	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

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

Statement of cash flows

	Notes	30 June 2010 $	30 June 2009 $
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**7,031,088**	52,847,853
Purchase of financial instruments held at fair value through profit or loss		**(255,201)**	(40,667,300)
Dividends received		**17,371**	1,299,332
Interest received		**29,604**	427,846
Other income received		**5,638**	30,502
Responsible Entity's fees paid		**(76,332)**	(470,156)
Interest paid		**-**	(79,579)
Other expenses paid		**(86)**	(5,794)
Due from/to brokers		**-**	12,167,153
Net cash inflow from operating activities	11(a)	**6,752,082**	25,549,857
Cash flows from financing activities			
Proceeds from applications by unitholders		**-**	2,688,000
Payments for redemptions by unitholders		**(9,448,644)**	(26,620,778)
Distributions paid		**(1,750)**	-
Net cash outflow from financing activities		**(9,450,394)**	(23,932,778)
Net (decrease)/increase in cash and cash equivalents		**(2,698,312)**	1,617,079
Cash and cash equivalents at the beginning of the year		**2,700,519**	1,077,966
Effects of foreign currency exchange rate changes on cash and cash equivalents		**(2,207)**	5,474
Cash and cash equivalents at the end of the year		**-**	2,700,519
Non-cash financing activities	11(b)	**-**	853,553

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

The financial report covers MQ Income Timing Fund ("Fund") as an individual entity. The Fund was registered on 27 January 2006 as a managed investment scheme and it ceased trading on 19 November 2009.

The Responsible Entity of the Fund is MQ Portfolio Management Limited, a wholly owned subsidiary of Macquarie Bank Limited ("MBL") which in turn is a wholly owned subsidiary of Macquarie Group Ltd. The registered office of the Responsible Entity is Mezzanine Level, No. 1 Martin Place, Sydney, NSW 2000. The financial report is presented in the Australian currency.

The principal activity of the Fund was to trade listed global securities. The strategy was implemented by the Investment Manager purchasing securities before the ex-dividend date and selling them around the ex-dividend date, as per the objectives stated in the product disclosure statement.

The financial statements were authorised for issue by the directors on 31 August 2010. The directors of the Responsible Entity have the power to amend and reissue the financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Financial instruments

(i) Classification

The Fund's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

  These include derivative financial instruments including future contracts. The Fund does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

  These include financial assets that are not held for trading purposes and which may be sold such as investments in exchange traded equity instruments.

  Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Loans and receivables/payables comprise amounts due to or from the Fund.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cashflows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

- Fair value in an active market

  The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- Fair value in an inactive or unquoted market

  The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the statement of financial position date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

(b) Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment such as a significant or prolonged decline in the fair value below carrying amount.

If any such indication of impairment exists, an impairment calculation is undertaken and any impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the statement of financial position date if unitholders exercised their right to put the units back to the Fund.

2 Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method.

Dividend income is recognised on the ex-dividend date.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

(f) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided the taxable income of the Fund is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

(h) Distributions

In accordance with the Fund Constitution, the Fund distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(i) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

2 Summary of significant accounting policies (continued)

(j) Foreign currency translation

i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(k) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Trust will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

(l) Receivables

Receivables may include amounts for dividends and interest. Dividends are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

(m) Payables

Payables includes liabilities and accrued expenses owing by the Fund which are unpaid as at year end.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(n) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

2 Summary of significant accounting policies (continued)

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as investment management fees have been passed onto the Trust. The Trust qualifies for RITC at a rate of 75% hence investment management fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(p) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i)AASB 9 *Financial Instruments* and related amendment AASB 2009-11 replacing AASB 139 *Financial Instruments: Recognition and Measurement*

The Australian Accounting Standards Board has now issued AASB 9 Financial Instruments which altered the classification and measurement of financial instruments. Under the new standard only two possible classifications arise, rather than the four existing classifications currently available under AASB 139 Financial Instruments: Recognition and Measurement, and will result in all financial assets being measured at amortised cost or fair value through profit or loss, or through other comprehensive income. Financial liabilities are currently excluded from the scope of this standard. The standard is mandatorily applicable for annual reporting periods beginning on or after 1 January 2013. The Trust has not adopted this standard early and is still assessing the full impact of this standard.

(r) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's product disclosure statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund uses derivative financial instruments to alter certain risk exposures.

Financial risk management is carried out by the investment management department under policies approved by MQPML's senior managers or by the board of directors of the Responsible Entity (the Board).

(i) Price risk

Price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk).

MQ Income Timing Fund is exposed to price risk on investments held by the Fund. The Fund's price risk is monitored by the Investment Manager on an ongoing basis and is managed by adopting the following policies to minimise exposure to price risk.

- Overall portfolio exposure - managed by seeking to ensure that the overall exposure of the portfolio is within acceptable limits
- Stock limits - managing exposure to any single stock and seeking to ensure diversification
- Sector limits - managing exposure to any single sector to seek to ensure diversification
- Foreign exchange hedging policy - seeking to ensure the impact of foreign exchange fluctuations are minimised in the portfolio through hedging by the investment manager
- Country limits - managing exposure to any single country and seeking to ensure diversification across allowable countries

Short sales made by the Fund involve certain risks and special considerations. Possible losses from short sales differ from losses that could be incurred from a purchase of a security, because losses from short sales may be unlimited, whereas losses from purchases cannot exceed the total amount invested.

The Fund's equity securities held long and short, whether cash positions or through derivative instruments, are substantially all publicly traded. The table below summarises the approximate impact to the fund of movements of the key indices to which the Fund is exposed. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	30 June 2010	30 June 2010	30 June 2009	30 June 2009
	Change in market index	Approximate Impact on operating profit/Net assets attributable to unitholders	Change in market index	Approximate Impact on operating profit/Net assets attributable to unitholders
	+/- %	$	+/- %	$
Australia (ASX 200)	**15.00**	-	15.00	324,340

3 Financial risk management (continued)

(ii) Foreign exchange risk

The Fund is not exposed to foreign exchange risk as the majority of assets are denominated in Australian dollars.

(iii) Interest rate risk

The Fund is exposed to interest rate risk on its bank and broker balances. The table below summarises the impact of an increase/decrease of interest rates on the Fund's net assets attributable to unitholders:

Impact on operating profit/net assets attributable to unitholders	+50bps $	-50bps $
30 June 2010	-	-
30 June 2009	13,503	(13,503)

(a) Credit risk

The Fund takes on exposure to credit risk, which is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment (including payment of amounts arising from derivative contracts) in full when due, that it has entered into with the Fund. All investment transactions are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the broker has received the securities. If either party fails to meet their obligation, the trade will fail.

The Fund is exposed to credit risk on its cash and cash equivalents held and on the derivative contracts held through approved brokers. This risk is monitored on an ongoing basis. Financial assets which potentially subject the Fund to concentrations of credit risk consist principally of bank deposits and balances, assets held with Goldman Sachs International (the "Prime Broker"), and derivatives where the Prime Broker is the counterparty. The Prime Broker also provides the clearing and depository operations for the Fund's security transactions. The Prime Broker provides loans and finance to the Fund and, as continuing security for the payment and discharge of all liabilities of the Fund, assets held by the Prime Broker will be charged in favour of the Prime Broker.

As at 30 June 2010 the net assets of the Fund, which amounted to $Nil (2009: $8,986,140), were held with the Prime Broker whose credit ratings issued by Moody's at the year end were:

	30 June 2010	30 June 2009
Goldman Sachs	**A1**	A1

Collateral pledged under prime brokerage agreements

The Fund has entered into a prime brokerage agreement with Goldman Sachs, the Fund's prime broker. All of the assets of the Fund are pledged as cross-collateral for all amounts owed to the prime broker including amounts due to brokers for securities purchases and securities sold short.

The Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Fund considers to be well established. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets excluding those assets not subject to credit risk.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on a daily basis.

3 Financial risk management (continued)

(b) Liquidity Risk

The Fund is exposed to monthly cash redemptions of redeemable units and as a result it primarily holds investments that are traded in an active market and can be readily disposed of.

The Fund may invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. No such investments were held at the end of the reporting period.

The table below analyses the Fund's financial liabilities, includes gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the earliest possible contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 month	1-6 months	6-12 months	No stated maturity	Total
	$	$	$	$	$
At 30 June 2010					
Total financial liabilities	-	-	-	-	-
At 30 June 2009					
Financial liabilities at fair value through profit or loss	6,225	-	-	-	6,225
Distribution payable	1,750	-	-	-	1,750
Redemptions payable	474,000	-	-	-	474,000
Other payables	-	52,494	-	-	52,494
Net assets attributable to unitholders	8,986,140	-	-	-	8,986,140
Total financial liabilities	9,468,115	52,494	-	-	9,520,609

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a continual basis to enable them to close out of positions at any point in time. Further, prior to any derivative position being entered into, the relationship between the likely liquidity and the size of the position taken is considered.

4 Auditor's remuneration

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

	30 June 2010	30 June 2009
	$	$
Audit services		
Audit and review of financial reports	**5,000**	7,358
Other audit work under the *Corporations Act 2001*	**290**	1,400
Total remuneration for audit services	**5,290**	8,758

Audit fees are paid out of the Responsible Entity's own resources.

5 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	30 June 2010 $	30 June 2009 $
Financial assets		
Net realised loss on financial instruments designated as at fair value through profit or loss	(625,465)	(730,235)
Net gains on financial assets held for trading	594,985	1,816,911
Net gains on financial assets held at fair value through profit or loss	(30,480)	1,086,676

	30 June 2010 $	30 June 2009 $
Financial liabilities		
Net gains/(losses) on financial liabilities held for trading	-	(6,252)
Net gains/(losses) on financial liabilities held at fair value through profit or loss	-	(6,252)

	30 June 2010 $	30 June 2009 $
Foreign currency		
Net gains/(losses) on foreign currencies at fair value through profit or loss		9,640
Net gains/(losses) on foreign currency at fair value through profit or loss	-	9,640
Total net gains/(losses) on financial instruments held at fair value through profit or loss	-	1,090,064

6 Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the year were as follows:

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. At year end, due to all classes being merged into a single class, there are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

	Direct class 2010 units	Institutional class 2010 units	Total 2010 units
Opening balance at 1 July	10,262,935	-	10,262,935
Redemption	(10,262,935)	-	(10,262,935)
Closing balance at 30 June	-	-	-

6 Net assets attributable to unitholders (continued)

	Direct class 2010 $	Institutional class 2010 $	Total 2010 $
Opening balance at 1 July	8,986,140	-	8,986,140
Redemption	(8,974,644)	-	(8,974,644)
Increase/(decrease) in net assets attributable to unitholders	(11,496)		(11,496)
Closing balance at 30 June	-	-	-

	Direct class 2009 units	Institutional class 2009 units	Total 2009 units
Opening balance at 1 July	123,572	34,462,685	34,586,257
Application	16,679,203	-	16,679,203
Redemption	(7,512,994)	(34,462,685)	(41,975,679)
Units issued upon reinvestment of distributions	973,154		973,154
Closing balance at 30 June	10,262,935	-	10,262,935

	Direct class 2009 $	Institutional class 2009 $	Total 2009 $
Opening balance at 1 July	111,210	30,992,074	31,103,284
Application	13,683,075		13,683,075
Redemption	(7,097,779)	(30,992,074)	(38,089,853)
Units issued upon reinvestment of distributions	853,553		853,553
Increase/(decrease) in net assets attributable to unitholders	1,436,081		1,436,081
Closing balance at 30 June	8,986,140	-	8,986,140

Capital risk management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the the discretion of unitholders.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund.

The Fund may extend the period for processing a withdrawal in certain circumstances such as if:

- the Fund has taken all reasonable steps to realise sufficient assets to satisfy a withdrawal request but is not able to do so; or
- the Fund believes it is not in the best interests of investors as a whole to realise assets; or
- the Fund is unable to calculate the redemption price or fairly determine the net asset value due to one or more circumstances outside the Fund's control.

6 Net assets attributable to unitholders (continued)

If the Fund becomes illiquid (as defined in the Corporations Act), withdrawals will only be allowed if the Fund makes an offer of withdrawal. If the Fund makes an offer of withdrawal, unitholders may only be able to withdraw part of their investment.

If the Fund receives withdrawal requests comprising more than 5% of the Units on issue in a Class, the Fund may pro-rata the withdrawal requests and stagger the processing of remaining unsatisfied withdrawal requests.

7 Cash and cash equivalents

	30 June 2010 $	30 June 2009 $
Cash at bank	-	2,696,631
Money market instruments	-	3,888
	-	2,700,519

8 Financial assets held at fair value through profit or loss

	30 June 2010 Fair value $	30 June 2009 Fair value $
Designated at fair value through profit or loss		
Listed equity securities	-	2,162,265
Total equity securities	-	2,162,265
Total financial assets held at fair value through profit or loss	-	2,162,265

9 Derivative financial instruments

In the normal course of business the Fund 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 credit index 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 Fund'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 Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

9 Derivative financial instruments (continued)

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivative instruments:

Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

As at year end, the Fund held for trading the following outstanding derivative financial instruments:

30 June 2010			**Fair Values**	
	Maturity	**Contract/ notional**	**Assets $**	**Liabilities $**
Australian exchange traded derivatives			-	-

30 June 2009			**Fair Values**	
	Maturity	**Contract/ notional $**	**Assets $**	**Liabilities $**
Australian exchange traded derivatives				
SPI 200 Futures	17/09/2009	2,145,550	-	6,225
			-	6,225

10 Related party transactions

Responsible Entity

The Responsible Entity of Macquarie Income Timing Fund is MQ Portfolio Management Limited, a wholly owned subsidiary of Macquarie Group Limited.

Key management personnel

The following persons held office as directors of MQ Portfolio Management Limited during the year or since the end of the year and up to the date of this report:

Bruce Neil Terry
Gervaise Robert John Heddle
Scot Thompson

Responsible Entity's fees and other transactions

For the year ended 30 June 2010, in accordance with the Fund Constitution, the Responsible Entity received a total fee of 1.55% of net asset value (inclusive of GST, net of RITC available to the Fund) per annum (2009: 1.55%).

The Responsible Entity is entitled to receive 20% of the returns over the benchmark (being the Reserve Bank of Australia's cash rate target) subject to a High Water Mark accrued daily.

10 Related party transactions (continued)

All expenses in connection with the preparation of accounting records and the maintenance of the unit register have been fully borne by the Responsible Entity.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were listed follows:

	30 June 2010 $	30 June 2009 $
Management fees for the year paid by the Fund to the Responsible Entity	**19,680**	329,733

The Product Disclosure Statement states that the Responsible Entity is entitled to receive management fees of 1.55% per annum, calculated by reference to the monthly net assets (excluding net assets attributable to unitholders) of the Fund.

Aggregate amounts receivable from, and payable to, each class of other related parties at the end of reporting period:

	2010 $	**2009 $**
Current assets		
MBL related parties (cash)	-	2,700,519
Current liabilities		
MBL related entities (management and performance fees payable)	-	43,736

Related party schemes' unitholdings

Parties related to the Fund (including schemes managed by MQ Portfolio Management Limited), held units in the Fund as follows:

2010

Unitholder	**Number of units held opening** (Units)	**Number of units held closing** (Units)	**Interest held** (%)	**Number of units acquired** (Units)	**Number of units disposed** (Units)	**Distributions paid/payable by the Fund** ($)
MQ Equity Enhanced Income Fund	10,242,821	-	-	-	10,242,821	-

2009

Unitholder	**Number of units held opening** (Units)	**Number of units held closing** (Units)	**Interest held** (%)	**Number of units acquired** (Units)	**Number of units disposed** (Units)	**Distributions paid/payable by the Fund** ($)
MQ Equity Enhanced Income Fund	33,178,343	10,242,821	99.80	3,767,358	26,702,880	833,553

Other transactions within the Fund

Apart from those details disclosed in this note, no directors of the Responsible Entity have entered into a material contract with the Fund since the end of the previous financial period and there were no material contracts involving director's interests subsisting at year end.

10 Related party transactions (continued)

The bank accounts for the Fund may be held with Macquarie Bank Limited. The Fund may use Macquarie Securities Limited and Macquarie Futures Limited (both Macquarie Group entities), for broking and clearing services respectively. Fees and expenses are negotiated on an arm's length basis for all transactions with related parties.

Bond Street Custodians Limited, a wholly owned subsidiary of Macquarie Group Limited, is the custodian of the Fund.

11 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	30 June 2010 $	30 June 2009 $
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/loss for the year	**-**	-
(Decrease)/increase in net assets attributable to unitholders	**(11,496)**	1,436,081
Net losses/(gains) on financial instruments held at fair value through profit or loss	**30,480**	(1,090,064)
Proceeds from sale of financial instruments held at fair value through profit or loss	**7,031,088**	52,847,853
Purchase of financial instruments held at fair value through profit or loss and derivative financial instruments	**(255,201)**	(40,667,300)
Distributions to unitholders	**-**	855,303
Net change in receivables and other assets	**947**	132,749
Net change in payables and other liabilities	**(43,736)**	(131,918)
Net change in amounts due from/to brokers	**-**	12,167,153
Net cash inflow from operating activities	**6,752,082**	25,549,857
(b) Non-cash financing and investing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**-**	853,553

As described in note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

12 Events occurring after year end

No significant events have occurred since year end which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2010 or on the results and cash flows of the Fund for the year ended on that date.

13 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2010 and 30 June 2009.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 5 to 22 are in accordance with the *Corporations Act 2001*, including:

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

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

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

This declaration is made in accordance with a resolution of the directors.

Scot Thompson
Director

Sydney
31 August 2010

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the unitholders of Macquarie Income Timing Fund

We have audited the accompanying financial report of Macquarie Income Timing Fund, ("the Fund") which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, MQ Portfolio Management Limited, are responsible for the preparation and fair presentation of the financial report in accordance with the 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 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the fund'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 fund's internal controls. 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.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Ernst & Young

Auditor's Opinion

In our opinion:

1. the financial report of Macquarie Income Timing Fund is in accordance with the *Corporations Act 2001*, including:

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

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Ernst & Young.

Ernst & Young

Graeme McKenzie
Partner
Sydney
31 August 2010