

# **Macquarie Special Events Fund**

ARSN 115 880 432

## **Annual report - 30 June 2011**

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This financial report covers Macquarie Special Events Fund as an individual entity.

The Responsible Entity of MQ Special Events 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 (a wholly owned subsidiary of Macquarie Group Limited), the Responsible Entity of Macquarie Special Events Fund, present their report together with the financial report of Macquarie Special Events Fund ("the Fund") for the year ended 30 June 2011.

### Principal activities

The principal activity of the Fund is to invest in the equity market using arbitrage strategies in relation to corporate-initiated capital transactions, such as mergers and acquisitions, in order to generate returns for the unitholders who receive an annual distribution based on the Fund's performance.

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.

### 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 be managed in accordance with the investment objective and strategy set out in the Fund's offer document and in accordance with the Fund's Constitution.

#### Results

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

	Year ended	
	30 June 2011	30 June 2010
Operating profit before finance costs attributable to unitholders (\$'000)	<u>3,245</u>	<u>3,723</u>
<i>Distributions</i>		
Distribution paid and payable (\$'000)	<u>3,405</u>	<u>7,581</u>
Distribution (cents per unit)	<u>6.54</u>	<u>20.62</u>

### Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year under review.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

## **Directors' report (continued)**

### **Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objective and strategy set out in the Fund's offer document and in accordance with the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

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

### **Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of MQ Portfolio Management Limited or the auditors of the Fund. Under the Fund Constitution, MQ Portfolio Management Limited as Responsible Entity of the Fund is entitled to be indemnified out of the assets of the Fund for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to 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 11 of the financial statements.

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

Interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 11 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 operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### **Rounding of amounts to the nearest thousand dollars**

The Fund is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

## Directors' report (continued)

### 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 5.

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

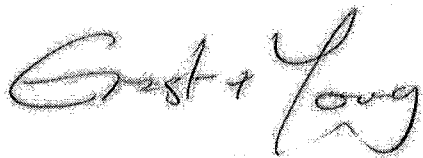


Scot Thompson  
Director

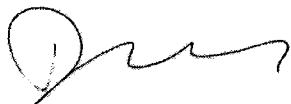
Sydney  
28 September 2011

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

In relation to our audit of the financial report of Macquarie Special Events Fund for the financial year ended 30 June 2011, 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.

A stylized, handwritten signature of the Ernst & Young firm, written in dark ink.

Ernst & Young

A handwritten signature of Darren Handley-Greaves, written in dark ink.

Darren Handley-Greaves  
Partner  
Sydney  
28 September 2011

**Statement of comprehensive income**

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
<b>Investment income</b>			
Interest income		643	437
Dividends received on long equity positions		1,206	1,140
Net gains on financial instruments held at fair value through profit or loss	5	3,562	4,597
Other operating income		<u>30</u>	<u>24</u>
<b>Total net investment income</b>		<u>5,441</u>	<u>6,198</u>
<b>Expenses</b>			
Responsible Entity fees	11	674	625
Performance fees	11	415	1,027
Interest expense		526	369
Withholding taxes on foreign dividends		1	2
Other operating expenses		579	413
Dividends paid on short equity positions		<u>1</u>	<u>39</u>
<b>Total operating expenses</b>		<u>2,196</u>	<u>2,475</u>
<b>Operating profit</b>		<u>3,245</u>	<u>3,723</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		(3,405)	(7,581)
Decrease in net assets attributable to unitholders	6	<u>160</u>	<u>3,858</u>
<b>Profit/(loss) for the year</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

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

**Statement of financial position**

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
<b>Assets</b>			
Cash and cash equivalents	7	8,640	1,585
Margin accounts		8,709	7,232
Due from brokers - receivable for securities sold		3,114	4,883
Other receivables		155	171
Financial assets held at fair value through profit or loss	8	<u>42,820</u>	<u>36,037</u>
<b>Total assets</b>		<u><b>63,438</b></u>	<u><b>49,908</b></u>
<b>Liabilities</b>			
Bank overdraft	7	3,313	3,749
Distributions payable		2,692	6,399
Due to brokers - payable for securities purchased		2,982	376
Responsible Entity fees payable	11	241	169
Financial liabilities held at fair value through profit or loss	9	<u>3,071</u>	<u>3,403</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u><b>12,299</b></u>	<u><b>14,096</b></u>
<b>Net assets attributable to unitholders - liability</b>	6	<u><b>51,139</b></u>	<u><b>35,812</b></u>

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

**Statement of changes in equity**

	30 June 2011 \$'000	30 June 2010 \$'000
<b>Total equity at the beginning of the year</b>	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the year</b>	<u>-</u>	<u>-</u>

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 2011 \$'000	30 June 2010 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		218,168	291,073
Purchase of financial instruments held at fair value through profit or loss		(218,852)	(302,252)
Dividends received on long equity positions		1,235	1,029
Interest received		95	87
Other income received		150	412
Responsible Entity fees paid		(760)	(567)
Performance fees paid		(415)	(1,580)
Other expenses paid		(508)	(641)
Dividends paid on short equity positions		(1)	(39)
<b>Net cash outflow from operating activities</b>	12(a)	<u>(888)</u>	<u>(12,478)</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		22,401	25,660
Payments for redemptions by unitholders		(7,626)	(8,254)
Distributions paid		(6,399)	(3,060)
<b>Net cash inflow from financing activities</b>		<u>8,376</u>	<u>14,346</u>
<b>Net increase in cash and cash equivalents</b>		<b>7,488</b>	<b>1,868</b>
Cash and cash equivalents at the beginning of the year		(2,164)	(4,028)
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>3</u>	<u>(4)</u>
<b>Cash and cash equivalents at the end of the year</b>	7(a)	<u><b>5,327</b></u>	<u>(2,164)</u>
Non-cash financing activities	12(b)	712	1,182

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

## 1 General information

The financial report covers Macquarie Special Events Fund ("the Fund") as an individual entity. The Fund existed as a wholesale fund prior to its conversion into a registered managed investment scheme on 2 September 2005 and will terminate 80 years (less one day) after the date of establishment, unless terminated earlier by an extraordinary resolution as determined by the Fund's members; the date specified by the Fund's Responsible Entity in a notice given to the Fund's members or on another date as specified by and in accordance with the Fund's Constitution or by law.

The Responsible Entity of the Fund is MQ Portfolio Management Limited, a wholly owned subsidiary of Macquarie Group Limited. 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 Investment Manager of the Trust is MQ Specialist Investment Management Limited (the "Investment Manager").

During the year, the Fund continued to be managed in accordance with the investment objective and strategy set out in the Fund's offer document and in accordance with the Fund's Constitution.

The financial statements were authorised for issue by the directors on 28 September 2011. 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 adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the 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.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

Where necessary, comparative information has been reclassified to be consistent with current year disclosures.

#### *Compliance with International Financial Reporting Standards*

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### (b) Financial instruments

#### (i) Classification

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

- Financial instruments held for trading

These include derivative financial instruments including futures and options. 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.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (i) Classification (continued)

Financial assets and financial liabilities may be designated at fair value through profit or loss at inception if they 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.

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

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

#### (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.

Details on how the fair value of financial instruments is determined are disclosed in note 3.

- 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 financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the statement of financial position date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the statement of financial position date. Fair values for unquoted equity investments are estimated, if possible, using applicable pricing/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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 index or underlying investments and the current creditworthiness of the counterparties. The fair value of a foreign currency forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (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.

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 the revised 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.

### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash includes cash on hand and deposits held at call with financial institutions. Cash equivalents include 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, which are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Bank overdrafts, if any, are shown separately on 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) 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.

### (f) Investment income

Interest income and expense are 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.

Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

## 2 Summary of significant accounting policies (continued)

### (f) Investment income (continued)

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

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

### (g) Expenses

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

### (h) 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 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 losses are not distributed to unitholders but are retained in the Fund to be offset against any realised gains. If realised gains exceed realised losses, the excess is distributed to unitholders.

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

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

### (i) Distributions

In accordance with the Fund Constitution, the Fund fully 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.

### (j) 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.

### (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 Fund 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) 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.

## 2 Summary of significant accounting policies (continued)

### (l) Foreign currency translation (continued)

#### 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.

### (m) 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(f) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC).

### (n) Payables

Payables include dividends payable on securities sold short and accrued expenses owing by the Fund which are unpaid as at the reporting date.

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.

### (o) 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.

### (p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of at least 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.

### (q) 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, such as, 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.

## 2 Summary of significant accounting policies (continued)

### (q) Use of estimates (continued)

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 and accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (r) New accounting 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 Fund) 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 Australian 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 Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund 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 Fund will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Fund's financial statements.

(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 amendments will not have any impact on the Fund's disclosures. The Fund intends to apply the amendment from 1 July 2011.

(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 Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

## 2 Summary of significant accounting policies (continued)

### (r) New accounting standards and interpretations (continued)

#### (v) IFRS 10 *Consolidated Financial Statements*

IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities.

This standard is yet to be approved by the Australian Accounting Standards Board and has not been issued in Australia. The standard is not applicable until 1 January 2013 but is available for early adoption.

The Fund has not yet decided when to adopt IFRS 10. Management does not expect this will have a significant effect on the Fund's financial statements.

#### (vi) IFRS 12 *Disclosures of Interests in Other Entities*

IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

This standard is yet to be approved by the Australian Accounting Standards Board and has not been issued in Australia. The standard is not applicable until 1 January 2013 but is available for early adoption.

The Fund has not yet decided when to adopt IFRS 12. Management does not expect this will have a significant effect on the Fund's financial statements.

#### (vii) IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.

IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

This standard is yet to be approved by the Australian Accounting Standards Board and has not been issued in Australia. The standard is not applicable until 1 January 2013 but is available for early adoption.

The Fund has not yet decided when to adopt IFRS 13. Management does not expect this will have a significant effect on the Fund's financial statements.

### (s) Rounding of amounts

The Fund is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

### 3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's governing documents 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 Manager's risk management department under policies approved by the Responsible Entity's senior managers or by the board of directors of the Responsible Entity ("the Board").

The Fund uses different methods to measure different types of risk to which it is exposed. These methods may include sensitivity analysis in the case of other price risks and ratings analysis for credit risk.

#### (a) Market risk

##### (i) Price risk

The Fund trades in financial instruments by taking positions in listed equity securities and traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equity markets.

All securities investments present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. 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. Additional market risk arises from the leverage resulting from stock borrowing. The risk is limited by setting market exposure limits which restrict the amount of leverage. The Fund's overall market positions are monitored on a daily basis by the Fund's Investment Manager.

In accordance with the Fund's policy, the risk management department of the Fund's Investment Manager monitors the Fund's overall market price sensitivity on a daily basis. This risk is managed by:

- ensuring the Fund is fully invested
- limiting investments in less liquid, long dated floats
- limiting market exposure and tracking error on equities sold short
- managing exposure to particular sectors and single securities
- ensuring the Fund has enough stock to back short puts
- ensuring that the Fund is investing in accordance with its stated objectives

The Fund's equity securities held long and short, whether cash positions or through derivative instruments, are substantially all publicly traded. The paragraph below summarises the impact of increases/decreases of the key index 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.

At 30 June 2011, the Fund's market risk is affected by changes in market prices. If the RBA cash rate target (benchmark) at 30 June 2011 had increased by 15% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately \$5,962,434 (2010: 15%: \$4,895,071). Conversely, if the RBA cash rate target (benchmark) at 30 June 2011 had decreased by 15% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately \$5,962,434 (2010: 15%: \$4,895,071).

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### *(ii) Foreign exchange risk*

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

##### *(iii) Interest rate risk*

The majority of the Fund's financial assets and liabilities are non interest bearing. While the Fund is normally fully invested in the financial instruments, a small cash balance may be maintained at times and interest may be earned. This is unlikely to ever be material. As a result, the Fund is not subject to significant amount of risk due to fluctuations in the prevailing levels of market interest rates.

#### (b) Credit risk

Credit risk arises from the Fund's investments in cash and cash equivalents, deposits with banks and other financial institutions, amounts due from brokers and counterparties to derivatives. None of these assets are impaired nor past due but not impaired.

The exposure to credit risk for cash and cash equivalents, deposits with banks and other financial institutions, amounts due from brokers and counterparties to derivatives is low as all counterparties have a rating of at least A- (2010: A-) as determined by Standard and Poor's rating agency.

The Fund restricts its exposure to credit losses on cash and cash equivalents by managing exposures to single issuers and only investing in banks.

Other than cash and cash equivalents, the Fund does not have a concentration of a credit risk that arises from an exposure to a single counterparty. Furthermore, the Fund does not have a material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

Additional credit risk arises from the stock borrowing facility. This is mitigated by fully collateralising the position, establishing market standard arrangements and restricting the term of the borrowings.

In accordance with the Fund's policy, the risk management department of the Investment Manager monitors the Fund's credit position on a daily basis. The Compliance Committee of the Responsible Entity reviews any identified exceptions to internal risk policies and procedures on a quarterly basis.

#### (c) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are traded in an active market that can be readily disposed of.

The Fund may, from time to time, 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 liquidate quickly 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 a deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the reporting period.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis. This is managed by:

- monitoring liquidity with respect to liquid assets and large single client holdings
- restricting exposure to illiquid, long-dated stock floats

The Compliance Committee of the Responsible Entity reviews any identified exceptions to internal risk policies and procedures on a quarterly basis.

Subject to the Fund's Constitution, redeemable units are redeemed on demand at the unitholders' option. All other liabilities are payable within 30 days.

### 3 Financial risk management (continued)

#### (d) Fair value estimation

The carrying amounts of the Fund's financial assets and financial liabilities at the reporting date approximated their fair values as all financial assets and liabilities not fair valued are short term in nature.

The Fund has adopted the amendments to AASB 7, effective 1 July 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

As at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Financial assets</b>				
Financial assets held for trading:				
- Derivatives	263	-	-	263
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	<u>42,557</u>	-	-	<u>42,557</u>
<b>Total</b>	<u>42,820</u>	-	-	<u>42,820</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
- Derivatives	<u>3,071</u>	-	-	<u>3,071</u>
<b>Total</b>	<u>3,071</u>	-	-	<u>3,071</u>

### 3 Financial risk management (continued)

As at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Financial assets</b>				
Financial assets held for trading:				
- Derivatives	753	1,025	-	1,778
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	<u>34,259</u>	<u>-</u>	<u>-</u>	<u>34,259</u>
<b>Total</b>	<u>35,012</u>	<u>1,025</u>	<u>-</u>	<u>36,037</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
- Derivatives	<u>2,407</u>	<u>996</u>	<u>-</u>	<u>3,403</u>
<b>Total</b>	<u>2,407</u>	<u>996</u>	<u>-</u>	<u>3,403</u>

During the year, there were no transfers between Level 1 and 2 or into/out of Level 3 (2010: nil).

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

### 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 2011 \$	30 June 2010 \$
<b>Audit services</b>		
Audit of financial reports	5,150	5,000
Other audit work under the <i>Corporations Act 2001</i>	<u>310</u>	<u>290</u>
Total remuneration for audit services	<u>5,460</u>	<u>5,290</u>

Audit fees are paid out of the Responsible Entity's own resources. All other expenses are paid by the Fund.

### 5 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial instruments held at fair value through profit or loss:

	30 June 2011 \$'000	30 June 2010 \$'000
Net loss on financial instruments held for trading	(378)	(2,079)
Net gains on financial instruments designated as at fair value through profit or loss	<u>3,940</u>	<u>6,676</u>
Net gains on financial instruments held at fair value through profit or loss	<u>3,562</u>	<u>4,597</u>

## 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. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

	30 June 2011 No. '000	30 June 2010 No. '000	30 June 2011 \$'000	30 June 2010 \$'000
Opening balance	37,881	20,473	35,812	21,083
Applications	21,873	23,262	22,401	25,660
Redemptions	(7,715)	(7,100)	(7,626)	(8,254)
Units issued upon reinvestment of distributions	843	1,246	712	1,181
Decrease in net assets attributable to unitholders	-	-	(160)	(3,858)
Closing balance	<u>52,882</u>	<u>37,881</u>	<u>51,139</u>	<u>35,812</u>

### 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 redemptions at the discretion of unitholders.

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

## 7 Cash and cash equivalents

	30 June 2011 \$'000	30 June 2010 \$'000
Deposit at call	<u>8,640</u>	<u>1,585</u>

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the year as shown in the statement of cash flows as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Balances as above	8,640	1,585
Bank overdrafts	<u>(3,313)</u>	<u>(3,749)</u>
Balances per statement of cash flows	<u>5,327</u>	<u>(2,164)</u>

## 8 Financial assets held at fair value through profit or loss

	30 June 2011 Fair value \$'000	30 June 2010 Fair value \$'000
<b>Held for trading</b>		
Derivatives (note 10)	263	1,778
Total held for trading	<u>263</u>	<u>1,778</u>
<b>Designated at fair value through profit or loss</b>		
Listed equity securities	42,557	34,259
Total designated at fair value through profit or loss	<u>42,557</u>	<u>34,259</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>42,820</u>	<u>36,037</u>

	30 June 2011 Fair value \$'000	30 June 2010 Fair value \$'000
<b>Comprising:</b>		
<b>Held for trading</b>		
Australian Share Price Index futures	-	748
Australian exchange traded options	263	5
Foreign currency forward contracts	-	1,025
Total derivatives	<u>263</u>	<u>1,778</u>
<b>Designated at fair value through profit or loss</b>		
Australian equity securities listed on a prescribed stock exchange	42,557	34,259
Total equity securities	<u>42,557</u>	<u>34,259</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>42,820</u>	<u>36,037</u>

## 9 Financial liabilities held at fair value through profit or loss

	30 June 2011 Fair value \$'000	30 June 2010 Fair value \$'000
<b>Held for trading</b>		
Listed equity securities sold short	1,023	825
Derivatives (note 10)	2,048	2,578
Total held for trading	<u>3,071</u>	<u>3,403</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>3,071</u>	<u>3,403</u>

## 9 Financial liabilities held at fair value through profit or loss (continued)

	30 June 2011 Fair value \$'000	30 June 2010 Fair value \$'000
<b>Comprising:</b>		
<b>Derivatives</b>		
Australian exchange traded options	1,818	1,582
Australian exchange traded futures	230	-
Foreign currency forward contracts	-	996
Total derivatives	<u>2,048</u>	<u>2,578</u>
<b>Listed equity securities sold short</b>		
Australian equity securities listed on a prescribed stock exchange	1,023	825
Total listed equity securities sold short	<u>1,023</u>	<u>825</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>3,071</u>	<u>3,403</u>

## 10 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 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.

Derivatives are used for trading purposes and may be 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:

### (a) 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.

## 10 Derivative financial instruments (continued)

### (b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

### (c) Forward currency contracts

Forward currency contracts are primarily used by the Fund to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. The Fund recognises a gain or loss equal to the change in fair value at the reporting date.

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

30 June 2011

	Contract/ notional '000	Assets \$ '000	Liabilities \$ '000
<b>Buy</b>			
Exchange traded options - Australian Dollar (AUD)	10,328	263	130
		<u>263</u>	<u>130</u>
<b>Sell</b>			
Exchange traded futures - Australian Dollar (AUD)	14,378	-	230
Share Price Index options - Australian Dollar (AUD)	25,525	-	1,688
		<u>-</u>	<u>1,918</u>

30 June 2010

	Contract/ notional '000	Assets \$ '000	Liabilities \$ '000
<b>Buy</b>			
Exchange traded options - Australian Dollar (AUD)	4,148	5	582
Foreign currency forward contracts - United States Dollar (USD)	866	1,025	-
		<u>1,030</u>	<u>582</u>
<b>Sell</b>			
Exchange traded options - Australian Dollar (AUD)	14,638	-	1,000
Share Price Index futures - Australian Dollar (AUD)	13,425	748	-
Foreign currency forward contracts - Australian Dollar (AUD)	996	-	996
		<u>748</u>	<u>1,996</u>

## 11 Related party disclosures

### (a) Responsible Entity

The Responsible Entity of the Fund is MQ Portfolio Management Limited (MQPML), a wholly owned subsidiary of Macquarie Group Limited.

### (b) Key management personnel

Key management personnel includes persons who were Directors of MQPML at any time during the financial year and since the end of the year up to the date of this report and are as follows:

Bruce Neil Terry  
Gervaise Robert John Heddle  
Scot Thompson

No amount is paid by the Fund directly to the directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Fund to the directors as key management personnel.

### (c) Key management personnel unitholdings

The key management personnel of MQPML held units in the Fund as follows:

#### 30 June 2011

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 (\$)
Bruce Neil Terry	88,645	88,645	0.17	-	-	5,797

#### 30 June 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 (\$)
Bruce Neil Terry	-	88,645	0.23	88,645	-	-

### (d) Responsible Entity fees and other transactions

For the year ended 30 June 2011, 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 (2010: 1.55%).

A performance fee of 20% of outperformance is payable to MQPML by the Fund. This performance fee is based on the Fund outperforming the RBA cash rate, and is subject to a high watermark.

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

	30 June 2011 \$	30 June 2010 \$
Performance fees for the year paid by the Fund to the Responsible Entity	<u>415,270</u>	<u>1,027,272</u>
Management fees for the year paid by the Fund to the Responsible Entity	<u>673,859</u>	<u>625,140</u>
Aggregate amounts payable to the Responsible Entity at the reporting date	<u>241,225</u>	<u>168,924</u>

## 11 Related party disclosures (continued)

### (e) Related party schemes' unitholdings

Parties related to the Fund (including MQPML, its related parties and other schemes managed by MQPML), held units in the Fund as follows:

#### 30 June 2011

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 (\$)
van Eyk Blueprint Absolute Australian Shares Fund	4,037,922	6,391,080	12.09	2,841,438	488,280	391,596

#### 30 June 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 (\$)
van Eyk Blueprint Absolute Australian Shares Fund	-	4,037,922	10.66	4,037,922	-	683,993

### (f) Investments

The Fund held no investments in any schemes which are also managed by MQPML or its related parties (2010: Nil).

### (g) 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 year and there were no material contracts involving director's interests subsisting at year end.

The bank accounts for the Fund are held with Macquarie Bank Limited. The Fund uses Macquarie Securities (Australia) Limited and Macquarie Bank 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.

## 12 Reconciliation of profit/(loss) to net cash outflow from operating activities

	30 June 2011 \$'000	30 June 2010 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash outflow from operating activities</b>		
Profit for the year	-	-
Decrease in net assets attributable to unitholders	(160)	(3,858)
Net gains on financial instruments held at fair value through profit or loss	(3,562)	(4,597)
Distribution to unitholders	3,405	7,581
Proceeds from sale of financial instruments held at fair value through profit or loss	218,168	291,073
Purchase of financial instruments held at fair value through profit or loss	(218,852)	(302,252)
Net change in receivables and other assets	17	(96)
Net change in payables and other liabilities	96	(329)
<b>Net cash outflow from operating activities</b>	<b>(888)</b>	<b>(12,478)</b>

### (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

	712	1,182
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As described in note 2(j), 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).

## 13 Events occurring after the 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 2011 or on the results and cash flows of the Fund for the year ended on that date.

## 14 Contingent assets, contingent liabilities or commitments

The Fund has no outstanding contingent assets, contingent liabilities or commitments as at 30 June 2011 and 30 June 2010.

## Directors' declaration

In the opinion of the directors of MQ Portfolio Management Limited:

- (a) the financial statements and notes set out on pages 6 to 27 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 2011 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.

The directors declare that the notes to the financial statements include an explicit and unreserved statement of compliance with the International Financial Reporting Standards (see note 2(a)).

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



Scot Thompson  
Director

Sydney  
28 September 2011

## Independent auditor's report to the unitholders of Macquarie Special Events Fund

We have audited the accompanying financial report of Macquarie Special Events Fund (the "fund"), 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 then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' responsibility for the financial report

The directors of MQ Portfolio Management Limited, the responsible entity of the fund, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 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, the auditor considers internal controls relevant to the preparation of the financial report that gives a true and fair view 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 responsible entity'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.

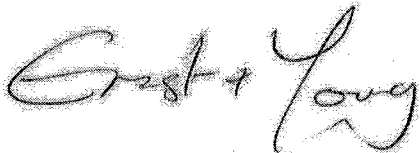
### Independence

In conducting our audit we have complied with 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 with the directors' report.

## Opinion

In our opinion:

- a. the financial report of Macquarie Special Events Fund is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the fund'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 and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.



Ernst & Young



Darren Handley-Greaves  
Partner  
Sydney  
28 September 2011