MQ Capital - Asia Trust

ARSN 121 297 283

Annual report - 30 June 2011

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Contents

The Responsible Entity of MQ Capital - Asia Trust is MQ Portfolio Management Limited (ACN 092 552 611). The Responsible Entity's registered office is Mezzanine Level, 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 MQ Capital - Asia Trust present their report together with the financial report of MQ Capital - Asia Trust (the "Trust") for the year ended 30 June 2011.

Principal activities

The principal activity of the Trust continues to be to gain exposure to the performance of a Reference Portfolio by entering into an Exposure Agreement with Macquarie Bank Limited. The Reference Portfolio is an actively managed and diversified portfolio containing Asia-Strategy hedge funds.

The Trust did not have any employees during the year.

There were no significant changes in the nature of the Trust'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 Trust continued to be managed in accordance with the investment objective and strategy set out in the Trust's offer document and in accordance with the Trust's Constitution.

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

	30 June 2011	30 June 2010
Operating (loss)/profit before finance costs attributable to unitholders ($'000)	**3,251**	328
Distributions		
Distribution paid and payable ($'000)	**31,826**	-
Distribution (cents per unit)	**84.14**	-

Significant changes in state of affairs

During the year, the Trust realised the liquid underlying hedge fund investments and returned 75% of the net assets of the Trust to the investors in the form of a special distribution.

The Trust has continued to invoke a suspension of redemptions throughout the period as a result of restrictions on redemptions imposed in certain underlying component funds as disclosed in note 8.

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

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

Directors' Report (continued)

Likely developments and expected results of operations

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

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust 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 Trust 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 Trust.

Indemnity and insurance of officers

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

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

Fees paid to the Responsible Entity out of Trust property during the year are disclosed in note 9 of the financial statements.

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

Interests in the Trust held by the Responsible Entity or its associates during the year are disclosed in note 9 of the financial statements.

Interests in the Trust

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

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

Environmental regulation

The operations of the Trust 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 Trust 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
16 November 2011

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Auditor's Independence Declaration to the Directors of MQ Portfolio Management Limited, as the Responsible Entity for MQ Capital - Asia Trust

In relation to our audit of the financial report of MQ Capital - Asia Trust 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.

Ernst & Young

Ernst & Young

Darren Handley-Greaves
Partner
Sydney
16 November 2011

Statement of comprehensive income

	Notes	**30 June 2011 $'000**	30 June 2010 $'000
Investment income			
Income from Exposure Agreement		**567**	490
Net gains on financial instruments held at fair value through profit or loss	5	**3,251**	328
Other operating income		**41**	36
Total net investment income		**3,859**	854
Expenses			
Responsible Entity fees	9	**75**	88
Investment management fees	9	**357**	438
Performance fees	9	**176**	-
Total operating expenses		**608**	526
Operating profit		**3,251**	328
Finance costs attributable to unitholders			
Distributions to unitholders		**(31,826)**	-
Decrease/(increase) in net assets attributable to unitholders	6	**28,575**	(328)
Profit/(loss) 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 2011 $'000	30 June 2010 $'000
Assets			
Cash and cash equivalents	7	**2**	2
Receivables		**64**	141
Financial assets held at fair value through profit or loss	8	**10,878**	39,452
Total assets		**10,944**	39,595
Liabilities			
Responsible Entity fee payable	9	**9**	23
Investment management fee payable	9	**29**	117
Performance fee payable	9	**26**	-
Total liabilities (excluding net assets attributable to unitholders)		**64**	140
Net assets attributable to unitholders - liability	6	**10,880**	39,455

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
Total equity at the beginning of the financial year	-	-
Total comprehensive income for the year	-	-
Other comprehensive income	-	-
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 2011 $'000**	30 June 2010 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**31,825**	-
Income received from Exposure Agreement		**639**	1,273
Other income received		**47**	86
Management fees paid		**(89)**	(199)
Performance fees paid		**(150)**	(163)
Investment management fee paid		**(446)**	(997)
Net cash inflow/(outflow) from operating activities	10(a)	**31,826**	-
Cash flows from financing activities			
Distributions paid		**(31,826)**	-
Net cash inflow/(outflow) from financing activities		**(31,826)**	-
Net increase/(decrease) in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the year		**2**	2
Cash and cash equivalents at the end of the year	7	**2**	2

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

1 General information

This financial report covers MQ Capital - Asia Trust (the "Trust") as an individual entity. The Trust was registered on 25 August 2006. The Trust is a registered managed investment scheme domiciled in Australia.

The Responsible Entity of the Trust is MQ Portfolio Management Limited (the "Responsible Entity"), a wholly owned subsidiary of Macquarie Group Limited. The registered office of the Responsible Entity is Mezzanine Level, 1 Martin Place, Sydney, NSW 2000. The financial report is presented in the Australian currency.

The Risk Adviser of the Trust is MQ Capital Pty Limited (the "Risk Adviser").

During the year, the Trust continued to invest funds in accordance with target asset allocations as set out in the current offer document and in accordance with the provisions of the Trust Constitution.

The financial report was authorised for issue by the directors on 16 November 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 these financial reports are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(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.

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

- 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.

The Trust's only financial instrument is the Exposure Agreement. The agreement is with Macquarie Bank Limited and provides the Trust with exposure to the performance of the Reference Portfolio until the Maturity Date. The Reference Portfolio is a list of assets and liabilities comprising of component funds, foreign exchange forward contracts and cash used as a reference point for determining the value of the Exposure Agreement. The Reference Portfolio does not contain physical assets and liabilities and is designated at fair value through profit or loss upon initial recognition.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Classification (continued)

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 Trust's documented investment strategy. The Trust'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 Trust.

(ii) Recognition/derecognition

The Trust 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 Trust 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 end of the reporting period 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 in a market rate at the end of the reporting period 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.

  Refer to note 3(e) for further information on the fair value of the Exposure Agreement.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

(b) Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest 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 writedown is reversed through the statements of comprehensive income.

(c) Net assets attributable to unitholders

Units are ordinarily redeemable monthly at the unitholders' option and are therefore classified as financial liabilities. The redemptions of units are currently subject to a suspension of redemptions invoked by the Trust. Redeemable units can be put back to the Trust monthly 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 Trust.

(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 shortterm 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 Trust's main income generating activity.

(e) Investment income

Investment 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 rate method.

The Trust is entitled to Periodic Returns under the Exposure Agreement where the Exposure Agreement value has increased sufficiently in any financial year. Such Periodic Returns are made in consideration of the Trust having paid for the Reference Portfolio in advance. In such circumstances the Trust will be able to make cash distributions to investors. These distributions may be reinvested under the distribution investment facility. Any Periodic Returns will reduce the level of the Trust's exposure to the Reference Portfolio but will not reduce the level of capital protection.

(f) Expenses

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

2 Summary of significant accounting policies (continued)

(g) Income tax

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

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 Trust is not subject to capital gains tax.

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

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

(h) Distributions

In accordance with the Trust Constitution, the Trust 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.

(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.

(j) Receivables

Receivables may include interest and Exposure Agreement Periodic Returns. Exposure Agreement Periodic Returns 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).

(k) Payables

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the end of the reporting period.

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 Trust's Constitution.

(l) Applications and redemptions

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

2 Summary of significant accounting policies (continued)

(m) 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 on to the Trust. The Trust 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.

(n) Use of estimates

The Trust 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.

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 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 payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) 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 Trust has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Trust's financial statements as the Trust does not hold any available for sale investments.

(ii) Revised AASB 124 *Related Party Disclosures* and related amendment AASB 2009-11 *replacing AASB 139 Financial Instruments: Recognition and Measurement (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures.* 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 Trust will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Trust's financial statements.

2 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations (continued)

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

In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Trust's disclosures. The Trust 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 Trust does not expect that any adjustments will be necessary as the result of applying the revised rules.

(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 Trust has not yet decided when to adopt IFRS 10. Management does not expect this will have a significant effect on the Trust'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 Trust has not yet decided when to adopt IFRS 12. Management does not expect this will have a significant effect on the Trust's financial statements.

2 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations (continued)

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

(p) Rounding of amounts

The Trust 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 statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

3 Financial risk management

(a) Strategy in using financial instruments

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

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's governing documents and the law and seeks to maximise the returns derived for the level of risk to which the Trust is exposed.

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

Investment objectives

The Trust's investment objective is capital appreciation. The Trust seeks to achieve its investment objective through gaining exposure to the Reference Portfolio by entering into an Exposure Agreement with Macquarie Bank Limited. The Reference Portfolio contains component funds that employ sophisticated international investment and trading strategies. The Trust is therefore exposed to market risk (including price risk, foreign exchange risk and liquidity risk), credit risk and liquidity risk.

MQ Capital Pty Limited (the "Risk Adviser"), a wholly owned subsidiary of Macquarie Group Limited, is responsible for making, monitoring and managing all investments and exposures, which collectively provide the exposure under the Exposure Agreement.

3 Financial risk management (continued)

(a) Strategy in using financial instruments

Investment objectives (continued)

In this role the Risk Adviser will monitor the Reference Portfolio's exposure to the component funds and advise if it believes there is a material breach of conduct, in terms of the investing, trading or business activities of the managers of the component funds. Material breaches of conduct by component funds would include significant deviation from stated investment mandate, failure to adhere to stated risk limits, deterioration in operational risk management or trading practices, significant deterioration of, or inadequate, infrastructure or personnel, rapidly exceeding capacity limits, deception, misrepresentation or inadequate disclosure, inadequate data redundancy, or other circumstances that might arise that may be considered to increase the investment, trading, operational or business risk of the manager to unacceptably high levels. The Risk Adviser's role will include frequent portfolio monitoring, regular contact with the managers of the component funds, site visits to those managers and risk monitoring. The Risk Adviser also monitors the Trust's currency position on a daily basis.

The method utilised to measure the different types of risk exposure include sensitivity analysis for market risks and rating analysis for credit risk.

Investment policies

The Reference Portfolio will include component funds which provide investors with a diversified exposure to a variety of investment and trading strategies which primarily focus on the Asia-Pacific region to attract risk-adjusted returns (over the medium to long term) in a range of market conditions. The Reference Portfolio will also include foreign exchange contracts, cash at call and may include notional liabilities to increase investment exposure and security deposits as appropriate.

Investment processes

The Responsible Entity uses a number of criteria to identify potential investment opportunities in component funds. These include but are not limited to;

(i) An assessment of the potential rate of return expected;

(ii) An assessment of the degree of risk and volatility likely to be experienced from holding a given investment;

(iii) The liquidity of the investment, including an assessment of the liquidity of the underlying asset classes in which the component fund invests;

(iv) An evaluation of the costs associated in the investing of the component fund including management and performance fees and transaction and administration costs;

(v) Due diligence over the component funds to determine whether the fund meets the Trust's stated investment strategy and policies on risk management and operations control;

(vi) Consideration of the overall exposure of the Trust to the contemplated investment and to particular strategies, markets and countries.

The composition and value of the Reference Portfolio is disclosed in note 8.

3 Financial risk management (continued)

(b) Market risk

Market risk is the exposure to adverse changes in the value of the Trust's Exposure Agreement as a result of changes in the market prices or volatility. The Trust is exposed to the following risks:

(i) Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those changes caused by interest rate or foreign exchange rates, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Trust is exposed to price risk on its investment in the Exposure Agreement. The Risk Adviser monitors and manages the price risk on the underlying investments which provide the return under the Exposure Agreement.

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to market risk. It shows the effect a reasonably possible movement in the value of the Exposure Agreement would have on the Trust's operating profit/net assets attributable to unitholders. The Exposure Agreement is described in detail in note 3(e). 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 Trust'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 Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

Reasonable possible movement in the risk variable for price risk for the component funds is 15% (2010: 15%).

	Price risk	
	Net impact on operating profits / net assets attributable to unitholders	
	$'000	$'000
30 June 2011 (-/+ 15%)	**(660)**	**660**
30 June 2010 (-/+ 15%)	(5,985)	5,985

The majority of the foreign exchange risk is hedged in the Reference Portfolio through the use of currency forward exchange contracts. The Risk Adviser believes that through hedging, the Trust's sensitivity to movements in exchange rates is minimised.

Currency hedging will not remove the foreign currency exposure which arises where the component fund of the Reference Portfolio holds investments in currencies other than the relevant class currency. These exposures may be significant and may not be hedged fully by the component funds.

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price Risk (continued)

The table below summarises the Trust's net exposure to foreign exchange risks as at 30 June 2011 and 30 June 2010 and indicates the impact that a +/- 10% (2010: +/- 15%) change in foreign currency exchange rates would have on the market price of the Trust's investment in the Reference Portfolio and therefore profit and loss attributable to unitholders.

	US dollars	
	30 June 2011	30 June 2010
	A$'000	A$'000
Financial assets held at fair value through profit of loss	**4,403**	40,080
Net exposure from foreign currency forward contracts - sell US dollars	**(4,611)**	(38,638)
Net exposure to foreign exchange risk	**(208)**	1,442

	Foreign exchange risk Impact on operating profit/net assets attributable to unitholders	
	A$'000	A$'000
30 June 2011 (-/+ 10%)	**21**	**(21)**
30 June 2010 (-/+ 15%)	(216)	216

The Reference Portfolio's cash and cash equivalents expose it to risks associated with the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows.

At 30 June 2011, should interest rates have lowered by 25 basis points (bps) with all other variables remaining constant, the decrease in net assets attributable to unitholders for the year would amount to approximately $16,063 (2010: $27,441). If interest rates had risen by 25 basis points, the increase in net assets attributable to unitholders would amount to approximately $16,063 (2010: $27,441).

(ii) Foreign exchange risk

The Trust is exposed to foreign exchange risk on its investment in the Exposure Agreement. The Reference Portfolio holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in foreign exchange rates. As at 30 June 2011, the Trust is not exposed to foreign exchange risk as majority of the monetary assets and liabilities are denominated in Australian dollars (2010: $Nil). The Risk Adviser monitors foreign exchange risk on a regular basis.

(iii) Interest rate risk

The Trust is not exposed to interest rate risk since the Trust does not directly hold any interest bearing securities.

3 Financial risk management (continued)

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Trust is primarily exposed to credit risk on the balance of the Exposure Investment with Macquarie Bank Limited. Macquarie Bank Limited is exposed to credit risk on the financial assets that form part of the Reference Portfolio. The maximum exposure of the Trust to credit risk on the Exposure Investment with Macquarie Bank Limited at the reporting date is the carrying amount of the financial assets (see note 8).

The exposure to credit risk on the Exposure Investment with Macquarie Bank Limited is low as Macquarie Bank Limited has a credit rating of A (2010: A) as determined by Standard & Poor's rating agency.

Macquarie Bank Limited's policies to control credit risk include avoidance of unacceptable concentrations of risk either to any economic sector or to an individual counterparty in the Equinox Reference Portfolio. Policies are in place to regulate large exposures to single counterparties or groups of counterparties. Such exposures are generally restricted unless the credit is of the highest standard or there is a high level of security.

Other than for the cash and cash equivalents and the investment in the Exposure Agreement with Macquarie Bank Limited the Trust does not have a concentration of a credit risk that arises from an exposure to a single counterparty. Furthermore, the Trust 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.

The Trust may borrow or employ internal leverage of up to 10% of the Exposure Agreement value. Each of the component funds in which the Responsible Entity invests may also employ leverage. This leverage can magnify the gains and losses relative to an un-leveraged investment. The Trust or component funds may also incur losses if they are forced to dispose of assets at unfavourable prices in order to repay interest or borrowings. At the reporting date the Trust did not borrow or employ internal leverage.

In accordance with the Trust's policy, the Risk Adviser monitors the Trust'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.

(d) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in selling a financial asset quickly at close to its fair value.

The Trust is exposed to liquidity risk on all of its investments. The Reference Portfolio which is comprised of component funds may be relatively illiquid and may be subject to redemption restrictions or "lock ups". Component funds may also impose fees or charges in connection with redemption requests which may be passed on to redeeming unitholders to the extent they have necessitated the redemption. Investment of the Trust's assets in relatively illiquid investments may restrict the ability of the Trust to dispose of its investments at a price and time that it wishes to do so. Consequently, the Trust may not be able to satisfy redemption requests (in whole or in part) until it is able to redeem its investment in the Exposure Agreement, which requires the redemption of investments in component funds. Redeeming unitholders will bear the risk of any decline in the value of those component funds until the redemption is able to be fully effected.

Each of the component funds may also invest in securities or assets which are relatively illiquid. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. As a result, component funds may have to dispose of investments at unfavourable prices in order to satisfy redemption requests or in response to changing market conditions.

In accordance with the Trust's policy, the Risk Adviser monitors the Trust's liquidity position on a daily basis. This is managed by

- monitoring liquidity with respect to liquid assets and large single client holdings; and

- restricting exposure to illiquid investments.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

The Trust has invoked a suspension of redemptions as of 3 February 2009 as a result of restrictions on redemptions imposed in certain underlying component funds within the Reference Portfolio. The liquidity status of the component funds within the Reference Portfolio is set out in note 8. All other liabilities are payable within 90 days.

(e) Fair value estimation

The Trust's financial assets are the Exposure Agreement with Macquarie Bank Limited, cash and receivables.

The Exposure Agreement will provide the Trust with exposure to the Reference Portfolio. The Exposure Agreement is a deferred purchase agreement with Macquarie Bank Limited for the purchase and delivery of the cash equivalent to the value of the delivery basket under which the purchase price is paid up front and settlement is deferred until the delivery date.

In this way, exposure to the returns of the Reference Portfolio are efficiently delivered under the same agreement. The redemption price will be the value of the investment as calculated on the last business day of the month in which the withdrawal request is processed.

The Reference Portfolio is a list of assets and liabilities used as a reference for determining the exposure agreement value and the completion value under the exposure agreement. It does not contain physical assets and liabilities.

The value of the Exposure Agreement will reflect the value of the Reference Portfolio and will be calculated by the valuation agent who is Macquarie Bank Limited. In valuing the Reference Portfolio the valuation agent will take into consideration all actual practical considerations that would apply if the Trust invested directly in the Reference Portfolio. The Risk Adviser will provide the Responsible Entity with weekly valuation information as part of the risk advisory agreement.

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

The Trust classifies 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.

3 Financial risk management (continued)

(e) Fair value estimation (continued)

The table below sets out the Trust'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**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Financial assets held at fair value through profit or loss:				
- Exposure Agreement held with Macquarie Bank Limited	-	-	10,878	10,878
Total	-	-	10,878	10,878

As at 30 June 2010	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets held at fair value through profit or loss:				
- Exposure Agreement held with Macquarie Bank Limited	-	-	39,452	39,452
Total	-	-	39,452	39,452

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently.

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

The following table shows a reconciliation of the movement in fair value of the level 3 investments held as at 30 June 2011 and 30 June 2010:

	Deferred Purchase Agreement 30 June 2011 $'000	Deferred Purchase Agreement 30 June 2010 $'000
Opening balance	39,452	39,124
Sales	(31,825)	-
Net (loss)/gains on financial instruments designated at fair value through profit or loss	3,251	328
Closing balance	10,878	39,452

4 Auditor's remuneration

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

	30 June 2011 $	30 June 2010 $
Audit services		
Audit of financial reports	**5,150**	5,000
Other audit work under the *Corporations Act 2001*	**310**	290
Total remuneration for audit services	**5,460**	5,290

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

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

	30 June 2011 $'000	30 June 2010 $'000
Net gains on financial instruments designated as at fair value through profit or loss	**3,251**	328
Net gains on financial instruments held at fair value through profit or loss	**3,251**	328

6 Net assets attributable to unitholders

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

	Series 1 30 June 2011 No. 000	Series 2 30 June 2011 No. 000	Series 3 30 June 2011 No. 000	Series 4 30 June 2011 No. 000	Series 5 30 June 2011 No. 000
Opening balance 1 July	8,000	2,169	5,646	3,058	7,343
Application	-	-	-	-	-
Redemption	-	-	-	-	-
Closing balance 30 June	8,000	2,169	5,646	3,058	7,343

	Series 6 30 June 2011 units	Series 7 30 June 2011 units	Series 8 30 June 2011 units	Total 30 June 2011 units
Opening balance 1 July	2,160	6,400	3,050	37,826
Application	-	-	-	-
Redemption	-	-	-	-
Closing balance 30 June	2,160	6,400	3,050	37,826

6 Net assets attributable to unitholders (continued)

	Series 1 30 June 2010 No. 000	Series 2 30 June 2010 No. 000	Series 3 30 June 2010 No. 000	Series 4 30 June 2010 No. 000	Series 5 30 June 2010 No. 000
Opening balance 1 July	8,000	2,169	5,646	3,058	7,343
Application	-	-	-	-	-
Redemption	-	-	-	-	-
Closing balance 30 June	8,000	2,169	5,646	3,058	7,343

	Series 6 30 June 2010 units	Series 7 30 June 2010 units	Series 8 30 June 2010 units	Total 30 June 2010 units
Opening balance 1 July	2,160	6,400	3,050	37,826
Application	-	-	-	-
Redemption	-	-	-	-
Closing balance 30 June	2,160	6,400	3,050	37,826

	Series 1 30 June 2011 $'000	**Series 2 30 June 2011 $'000**	**Series 3 30 June 2011 $'000**	**Series 4 30 June 2011 $'000**	**Series 5 30 June 2011 $'000**
Opening balance 1 July	**9,544**	**2,345**	**6,034**	**2,949**	**6,922**
Application	-	-	-	-	-
Redemption	-	-	-	-	-
Decrease in net assets attributable to unitholders	**(6,902)**	**(1,696)**	**(4,377)**	**(2,135)**	**(5,010)**
Closing balance 30 June	**2,642**	**649**	**1,657**	**814**	**1,912**

	Series 6 30 June 2011 $'000	**Series 7 30 June 2011 $'000**	**Series 8 30 June 2011 $'000**	**Total 30 June 2011 $'000**
Opening balance 1 July	**2,132**	**6,411**	**3,118**	**39,455**
Application	-	-	-	-
Redemption	-	-	-	-
Decrease in net assets attributable to unitholders	**(1,546)**	**(4,648)**	**(2,261)**	**(28,575)**
Closing balance 30 June	**586**	**1,763**	**857**	**10,880**

6 Net assets attributable to unitholders (continued)

	Series 1 30 June 2010 $'000	Series 2 30 June 2010 $'000	Series 3 30 June 2010 $'000	Series 4 30 June 2010 $'000	Series 5 30 June 2010 $'000
Opening balance 1 July	9,464	2,326	5,979	2,925	6,868
Application	-	-	-	-	-
Redemption	-	-	-	-	-
Increase in net assets attributable to unitholders	80	19	55	24	54
Closing balance 30 June	9,544	2,345	6,034	2,949	6,922

	Series 6 30 June 2010 $'000	Series 7 30 June 2010 $'000	Series 8 30 June 2010 $'000	Total 30 June 2010 $'000
Opening balance 1 July	2,114	6,356	3,095	39,127
Application	-	-	-	-
Redemption	-	-	-	-
Increase in net assets attributable to unitholders	18	55	23	328
Closing balance 30 June	2,132	6,411	3,118	39,455

As stipulated within the Trust Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. Each class invests in an Exposure Agreement issued by Macquarie Bank Limited which provides each class of units with exposure to an actively managed and diverse portfolio of asian strategy hedge funds.

The Trust has invoked a suspension of redemptions as of 3 February 2009 as a result of restrictions on redemptions imposed in certain underlying component funds within the Reference Portfolio.

Capital risk management

The Trust considers 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 quarterly basis as the Trust is subject to quarterly at the discretion of unitholders.

As the Trust has invoked a suspension of redemptions, withdrawals will only be allowed if the Trust makes an offer of withdrawal. If the Trust makes an offer of withdrawal, unitholders may only be able to withdraw part of their investment.

7 Cash and cash equivalents

	30 June 2011 $'000	30 June 2010 $'000
Cash at bank	**2**	2
Total	**2**	2

8 Financial assets held at fair value through profit or loss

	30 June 2011 Fair value $'000	30 June 2010 Fair value $'000
Designated at fair value through profit or loss		
Exposure Agreement with Macquarie Bank Limited	**10,878**	39,452
Total financial assets held at fair value through profit or loss	**10,878**	39,452
The Reference Portfolio held by Macquarie Bank Limited comprises:		
Assets		
Cash on deposit	**6,425**	2,744
Investment in component funds	**4,403**	39,903
Foreign currency forward contracts	**87**	-
Receivable	**18**	8
Total assets	**10,933**	42,655
Liabilities		
Foreign currency forward contracts	**-**	3,045
Fee payable to the Trust	**51**	123
Exposure fee	**4**	35
Total liabilities	**55**	3,203

A detailed overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in note 3.

The Trust invests in a Exposure Agreement which provides the Trust with exposure to hedge funds. The Responsible Entity considers that the net asset value quoted by the respective fund administrators or fund managers of the hedge funds to be the fair value of such investments.

The Responsible Entity evaluates the net asset values being provided by the respective fund managers or fund administrators of the funds. If there is a clear indication that the net asset value reported by the respective fund administrators or fund managers is not on a fair value basis for its underlying investments, the Responsible Entity may exercise judgment to adjust the fair values of the funds. For funds subject to redemption restriction, such as lock-up, redemption gates triggered, suspended redemption or with side pocket arrangement in which the valuation of their investments are subject to judgment and estimates made by the respective fund managers, the net asset value reported by the respective fund administrators or fund managers as at the statement of financial position date may not reflect the amounts that can be realised by the Trust.

As at 30 June 2011 and 30 June 2010 the liquidity status of the hedge funds within the Reference Portfolio is shown below:

	30 June 2011 $'000	30 June 2011 Component fund % of net asset value	30 June 2010 $'000	30 June 2010 Component fund % of net asset value
Suspension of redemption	**3,365**	**31%**	-	-
Redemption gated	-	-	2,902	7%
Side pocket arrangements *	-	-	1,548	4%
Total	**3,365**	**31%**	4,450	11%

* The establishment of the side pocket arrangements was a result of liquidity management by the respective fund managers.

8 Financial assets held at fair value through profit or loss (continued)

As at 30 June 2011, no fair value adjustments were made by the Responsible Entity for funds within the Reference Portfolio (2010: Nil).

As at 30 June 2011, the Exposure Agreement provided exposure to 7 hedge funds (2010: 22), all of which are subject to a suspension of redemptions. Periodically the hedge funds distribute cash to their investors as their liquidity profile improves.

As at 30 June 2011, the Trust had exposure to 3 (2010: 7) funds with balances representing more than 5% of its net assets with the largest fund representing $1,162,144 (11%) (2010: 4,048,239 (10%)) of its net assets.

As at the date of approval of these financial statements the hedge funds that were subject to redemption suspensions at 30 June 2011 have distributed US$ 95,934 (2010: US$ 598,240) in cash redemptions.

9 Related party transactions

(a) Responsible Entity

The Responsible Entity of MQ Capital - Asia Trust is MQ Portfolio Management Limited (MQPML).

(b) Key management personnel

The following persons held office as directors of MQPML 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

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

(c) Key management personnel unitholdings

At 30 June 2011, no key management personnel held units in the Trust (2010: Nil).

(d) Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

9 Related party transactions (continued)

(e) Responsible Entity fees and other transactions

Per the Product Disclosure Statement, the Responsible Entity is entitled to receive the following fees:

(i) Management fee of 0.205% per annum of the month end Exposure Agreement Value calculated monthly.

(ii) Exposure fee of 0.35% per annum of the month end Exposure Agreement Value calculated monthly. With effect from April 2011, the Exposure fee is calculated at 0.35% per annum of the illiquid Exposure Agreement Value. The Exposure fee is not paid directly by the Fund but is effected by a reduction in the Exposure Agreement Value.

(iii) Investment management fee of 1.025% per annum of the month end Exposure Agreement Value calculated monthly. With effect from April 2011, the Investment management fee is calculated at 1.025% per annum of the illiquid Exposure Agreement Value.

(iv) Performance fee of 10% of the appreciation in the Exposure Agreement Value over the Benchmark Value subject to a High Water Mark calculated monthly.

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 Trust and the Responsible Entity were as follows:

	30 June 2011 $	30 June 2010 $
Management fees expense incurred by the Trust	**74,795**	87,634
Performance fees	**176,473**	-
Investment management fees	**357,037**	438,170
Fees payable	**63,960**	140,987

(f) Related party unitholdings

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

2011

Unitholder	**Number of units held opening (Units)**	**Number of units held closing (Units)**	**Fair value of investment ($)**	**Interest held (%)**	**Number of units acquired (Units)**	**Number of units disposed (Units)**	**Distributions paid/payable by the Trust ($)**
Macquarie Group Services	**25,086,334**	**25,086,334**	**7,077,568**	**65.05**	-	-	**20,713,811**
Macquarie Prism Pty Ltd	**9,084,700**	**9,084,700**	**2,667,067**	**24.51**	-	-	**7,795,055**
Ottmar Weiss	**1,000,000**	**1,000,000**	**271,515**	**2.50**	-	-	**794,871**

2010

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment ($)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Trust ($)
Macquarie Group Services	25,086,334	25,086,334	25,687,949	65.11	-	-	-
Macquarie Prism Pty Ltd	9,084,700	9,084,700	9,654,199	24.47	-	-	-
Ottmar Weiss	1,000,000	1,000,000	987,267	2.50	-	-	-

9 Related party transactions (continued)

(g) Investments

The Trust's only investment is the Exposure Agreement held with Macquarie Bank Limited disclosed in note 8.

(h) Other transactions within the Trust

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

The bank accounts for the Trust are held with Macquarie Bank Limited. Fees and expenses are negotiated on an arm's length basis for all transactions with related parties.

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

	30 June 2011 $'000	30 June 2010 $'000
(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	(28,575)	328
Net gains on financial instruments held at fair value through profit or loss	(3,251)	(328)
Proceeds from sale of financial instruments held at fair value through profit or loss	31,825	-
Distribution to unitholders	31,826	-
Net change in accrued income and prepaid expenses	78	833
Net change in accounts payable and accrued liabilities	(77)	(833)
Net cash inflow/(outflow) from operating activities	31,826	-

11 Events occurring after year end

No significant events have occurred since year end which would impact on the financial position of the Trust disclosed in the statement of financial position as at 30 June 2011 or on the results and cash flows of the Trust for the year ended on that date.

12 Contingent assets, contingent liabilities or commitments

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

Director's declaration

The Directors draw attention to Note 8 to the financial statements. In the opinion of the directors of MQ Portfolio Management Limited:

(a) the financial statements and notes set out on pages 6-29 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 Trust'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 Trust 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
16 November 2011

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Independent auditor's report to the unitholders of MQ Capital - Asia Trust

We have audited the accompanying financial report of MQ Capital - Asia Trust (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 MQ Capital - Asia Trust 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

Ernst & Young

Darren Handley-Greaves
Partner
Sydney
16 November 2011