

Annual report to investors

Year ended 30 June 2007

Macquarie Emerging Markets
Share Trust

ARSN 091 021 180



MACQUARIE

Directors' Report

The Directors of Macquarie Investment Management Limited (a wholly owned subsidiary of Macquarie Bank Limited), the responsible entity of Macquarie Emerging Markets Share Trust ("the Trust"), present their report together with the financial report of the Trust, for the year ended 30 June 2007.

Principal activities

The Trust invests in unlisted unit trusts in accordance with the provisions of the Trust Constitution.

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 Macquarie Investment Management Limited during the year or since the end of the year and up to the date of this report:

B N Terry

R W Fitzgibbon (resigned 3 November 2006)

B Bruck (appointed 6 November 2006)

N Roderick

P Maher

R Cartwright

V Malley

Review and results of operations

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

Results

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

	Year ended	
	30 June	30 June
	2007	2006
	\$'000	\$'000
Net operating profit/(loss)	5,165	7,548

Distributions

Distribution paid and payable	7,849	7,305
Distribution (cents per unit)	78.40	44.71

The table below demonstrates the performance of the Trust as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the past five years to 30 June 2007 and assumes that all distributions were re-invested during that period. These are calculated in accordance with IFSA Standard 6.0 Product Performance – calculation and presentation of returns.

	2007	2006	2005	2004	2003
	%	%	%	%	%
Capital growth	(46.03)	(3.49)	30.74	27.35	(12.29)
Distribution of income	73.96	40.71	1.26	2.94	2.05
Total return	27.93	37.22	32.00	30.29	(10.24)

Consistent with our statements in the governing documents of the Trust, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2007 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.

Likely developments and expected results of operations

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

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of Macquarie Investment Management Limited or the auditors of the Trust. So long as the officers of Macquarie Investment Management Limited act in accordance with the Trust Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the responsible entity or its associates

Fees paid to the responsible entity and its associates out of Trust property during the year are disclosed in Note 11 of the financial statements.

No fees were paid out of Trust property to the directors of the responsible entity during the year.

The number of interests in the Trust 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 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 balance sheet and 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 & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is attached.

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



Bruce Terry
Director
Sydney
17 September 2007



Neil Roderick
Director
Sydney
17 September 2007

Macquarie Emerging Markets Share Trust

Income statement for the year ended 30 June 2007

	Notes	Year ended	
		30 June 2007	30 June 2006
		\$'000	\$'000
Investment income			
Distribution income		562	5,797
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	4,946	2,289
Other investment income		83	37
Net investment income/(loss)		5,591	8,123
Expenses			
Responsible entity's fees	11	426	573
Other operating expenses	3	16	2
Total operating expenses		442	575
Operating profit/(loss)		5,165	7,548
Financing costs attributable to unitholders from operations			
Distributions to unitholders	7	7,849	7,305
Increase/(decrease) in net assets attributable to unitholders	6	(2,684)	243
Profit/(loss) for the year		-	-

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

Macquarie Emerging Markets Share Trust

Balance sheet as at 30 June 2007

	Notes	30 June 2007	30 June 2006
		\$'000	\$'000
Assets			
Cash and cash equivalents	8	91	1
Distributions receivable		-	5,864
Other receivables		89	-
Financial assets held at fair value through profit or loss	9	13,595	18,665
Total assets		13,775	24,530
Liabilities			
Bank overdraft	8(a)	-	3
Distributions payable		495	290
Responsible entity fee payable	11	316	152
Other liabilities		28	9
Total liabilities (excluding net assets attributable to unitholders)		839	454
Net assets attributable to unitholders – liability	6	12,936	24,076

The above balance sheet should be read in conjunction with the accompanying notes.

Macquarie Emerging Markets Share Trust

Statement of changes in equity for the year ended 30 June 2007

	Year ended	
	30 June 2007 \$'000	30 June 2006 \$'000
Total equity at the beginning of the financial year	–	25,219
Adjustment on adoption of AASB132 and AASB139	–	(25,219)
Total equity at the beginning of the financial year	–	–
Profit/(loss) for the year	–	–
Total recognised income and expense for the year	–	–
Transactions with equity holders in their capacity as unitholders	–	–
Distributions to equity holders	–	–
Total equity at the end of the financial year	–	–

Under AIFRS, 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.

Macquarie Emerging Markets Share Trust

Cash flow statement for the year ended 30 June 2007

	Year ended	
	30 June 2007 \$'000	30 June 2006 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	16,323	8,814
Purchase of financial instruments held at fair value through profit or loss	175	(35)
Interest income received	1	2
Other income received	111	35
Responsible entity's fees paid	(178)	(76)
Net cash inflow/(outflow) from operating activities ^{12(a)}	16,412	8,740
Cash flows from financing activities		
Proceeds from applications by unitholders	983	40
Payments for redemptions by unitholders	(17,013)	(8,906)
Distributions paid	(289)	(8)
Expenses/income on behalf of unitholders	–	4
Net cash inflow/(outflow) from financing activities	(16,319)	(8,870)
Net increase/(decrease) in cash and cash equivalents	93	(130)
Cash and cash equivalents at beginning of the year	(2)	128
Cash and cash equivalents at the end of the year ^{8(a)}	91	(2)
Non – cash financing activities ^{12(b)}	7,335	7,007

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

Macquarie Emerging Markets Share Trust

Notes to the financial statements for the year ended 30 June 2007

1 General information

This financial report covers Macquarie Emerging Markets Share Trust (“the Trust”) as an individual entity. The Trust was established under a constitution dated 15th February 1988.

The responsible entity of the Trust is Macquarie Investment Management Limited (“MIML”). The responsible entity’s registered office is Level 7, 1 Martin Place, Sydney, NSW 2000.

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 statements were authorised for issue by the directors on 17th September 2007.

2 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 in Australia.

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

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Trust, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

(b) Financial Instruments

(i) Classification

The Trust’s investments are categorised as at fair value through profit or loss category, which is comprised of:

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 and are investments in unlisted trusts.

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 and 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 and 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 income statement.

Fair value in an inactive or unquoted market

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

(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 balance sheet date to determine whether there is objective evidence of impairment for example when there has been a significant or prolonged decline in the fair value below cost.

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

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

(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 Trust at any time for cash equal to a proportionate share of the Trust's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back to the Trust. Because the Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the income statement as they arise.

(d) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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

Trust distributions are recognised on an entitlements basis.

(f) Expenses

All expenses, including responsible entity's fees, are recognised in the income statement on an accruals basis.

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

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

(h) Distributions

In accordance with the Trust Constitution, the Trust fully distributes its distributable (taxable) income to unitholders by cash or reinvestment. The distributions are recognised in the income statement 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 income statement as finance costs.

(j) 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.

(k) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of the last payment. Amounts are generally received within 30 days of being recorded as receivables.

(l) Payables

Payables includes liabilities and accrued expenses owing by the Trust which are unpaid as at balance date.

Trades are recorded on trade date, and are normally settled within three business days. Purchases of securities and investments that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheet as unitholders are presently entitled to the distributable income as at 30 June 2007 under the Trust's Constitution.

(m) 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.

(n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as audit fees, custodial services and investment management fees, have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence expenses have been recognised in the income statement 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 balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.

(o) 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.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is

- (i) *AASB 7, Financial Instruments: Disclosures and AASB 2005–10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*

AASB 7 and AASB 2005–10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Trust has not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Trust's financial instruments.

- (ii) *Revised AASB 101 Presentation of Financial Statements (issued in October 2006)*

The Revised AASB 101 is applicable to annual reporting periods beginning on or after 1 January 2007. The Trust has not adopted this standard early. Application of this standard will not have any impact on the information presented in the financial statements.

(iii) AASB 8 *Operating Segments* and AASB 2007–3 *Amendments to Australian Accounting Standards arising from AASB 8* [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]

AASB 8 and AASB 2007–3 are applicable to annual reporting periods beginning on or after 1 January 2009. The Trust has not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but will affect the segment disclosures provided in Note 13.

(iv) AASB 2007–4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038].

AASB 2007–4 is applicable to annual reporting periods beginning on or after 1 July 2007. The Trust has not adopted this standard early. The amendments introduce a number of options that existed under IFRS but had not been included in the original Australian equivalents to IFRS and remove many of the additional Australian disclosure requirements, other than those now considered particularly relevant in the Australian reporting environment. Application of this standard will not affect any of the amounts recognised in the financial statements as none of the options introduced are relevant to the Trust, but it may remove some of the disclosures that are currently required.

(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 & Investments Commission, relating to the “rounding off” of amounts in the directors’ report and financial report. Amounts in the directors’ report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(q) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

3 Other operating expenses

	Year ended	
	30 June 2007 \$'000	30 June 2006 \$'000
Sundry	16	2
	16	2

4 Auditor’s remuneration

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

	Year ended	
	30 June 2007 \$	30 June 2006 \$
Audit services – PricewaterhouseCoopers Australian Firm		
Audit and review of financial reports	3,220	2,954
Other	465	425
Total remuneration for assurance services	3,685	3,379

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

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

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

	Year ended	
	30 June 2007 \$'000	30 June 2006 \$'000
Net movement in unrealised gain/(loss) on financial instruments designated as at fair value through profit or loss	(2,874)	(1,750)
Net realised gain/(loss) on financial instruments designated as at fair value through profit or loss	7,820	4,039
Total net gains/(losses) on financial instruments held at fair value through profit or loss	4,946	2,289

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 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.

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

	30 June 2007 No. '000	30 June 2007 \$'000	30 June 2006 No. '000	30 June 2006 \$'000
Opening balance	22,951	24,076	22,965	25,219
Applications	724	983	29	40
Redemptions	(13,729)	(17,013)	(5,472)	(8,906)
Units issued upon reinvestment of distributions	12,694	7,335	5,086	7,007
Management fee rebates	193	239	343	473
Increase/(decrease) in net assets attributable to unitholders	–	(2,684)	–	243
Closing balance	22,834	12,936	22,951	24,076

(a) Unrealised capital gains

At the reporting date, the Trust had net unrealised taxable capital gains of \$4,084,181 (2006: gain of \$6,620,727), which if realised, and after any offset of realised capital losses, would be assessable.

(b) Realised capital losses

At the reporting date, the Trust had realised capital losses of \$Nil (2006: losses of \$1,624), available to offset against future assessable capital gains.

7 Distributions to unitholders

Timing of distributions

The distributions were paid/payable as follows:

	Year ended			
	30 June 2007 \$'000	30 June 2007 CPU	30 June 2006 \$'000	30 June 2006 CPU
Timing of distributions				
June	7,849	78.40	7,305	44.71
	7,849	78.40	7,305	44.71

Timing of distributions

June	7,849	78.40	7,305	44.71
	7,849	78.40	7,305	44.71

8 Cash and cash equivalents

	30 June 2007 \$'000	30 June 2006 \$'000
Cash at bank	91	1
	91	1

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

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

	30 June 2007 \$'000	30 June 2006 \$'000
Balances as above	91	1
Bank overdrafts	–	(3)
Balances per cash flow statement	91	(2)

(b) Cash at bank and on hand

These accounts are non-interest bearing.

9 Financial assets held at fair value through profit or loss

	30 June 2007	30 June 2006
	Fair value \$'000	Fair value \$'000
Designated at fair value through profit or loss		
Unlisted unit trusts	13,595	18,665
Total Designated as fair value through profit or loss	13,595	18,665
Total financial assets held at fair value through profit or loss		
	13,595	18,665
Unlisted unit trusts		
Australian unit trusts	13,595	18,665
Total unlisted unit trusts	13,595	18,665
Total financial assets held at fair value through profit or loss	13,595	18,665

10 Financial risk management

The Trust is exposed to credit risk, market price risk, and liquidity and cashflow risk arising from the financial instruments it holds. The risk management policies employed by the Trust to manage these risks are discussed below:

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Concentrations of credit risk in the underlying trust are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved, and
- ensuring that transactions are undertaken with a large number of counterparties.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity.

There were no significant concentrations of credit risk to counterparties at 30 June 2007 or 30 June 2006.

(b) Interest rate risk

There is no significant direct interest rate risk in the Trust.

(c) Market price risk

Market price risk is the risk that the value of the Trust's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis which includes the effect of derivatives.

(d) Liquidity and cash flow risk

Liquidity risk is the risk that the Trust will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The risk management guidelines adopted by the underlying trust are designed to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

(e) Fair values of financial assets and financial liabilities

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

11 Related party transactions

Responsible entity

The responsible entity of Macquarie Emerging Markets Share Trust is MIML, a wholly owned subsidiary of Macquarie Bank Limited.

Key management personnel

Key management personnel comprises the responsible entity, MIML.

The following persons held office as Directors of Macquarie Investment Management Limited during the period or since the end of the period and up to the date of this report:

B N Terry
R W Fitzgibbon (resigned 3 November 2006)
B Bruck (appointed 6 November 2006)
N Roderick
P Maher
R Cartwright
V Malley

At 30 June 2007 no directors held units in the Trust (2006: Nil).

Key management personnel unitholdings

At 30 June 2007 MIML held no units in the Trust (2006: Nil).

Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to MIML or its related entities at any time during the reporting period.

Responsible entity fees and other transactions

For the year ended 30 June 2007, in accordance with the Constitution, the responsible entity received a total fee of 2.22% per annum (2006: 2.22%).

For the year ended 30 June 2007, all expenses in connection with the preparation of accounting records and the maintenance of the register have been fully borne by the responsible entity.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trust and the responsible entity were as follows:

	30 June 2007 \$'000	30 June 2006 \$'000
Management fees for the year by the Trust to the responsible entity	426	573
Fees earned by the responsible entity in respect of investments by the Trust in other schemes managed by the responsible entity*	81	35
Aggregate amounts payable to the responsible entity at the reporting date	316	152

* Where the Trust invests into other schemes managed by the responsible entity, the responsible entity's fee is calculated after rebating fees charged in the underlying schemes.

Related party schemes' unitholdings

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

2007	Interest held	Number of units held – opening	Number of units acquired	Number of units disposed	Number of units held – closing	Distributions paid/payable by the Trust
Unitholder	(%)	No. '000	No. '000	No. '000	No. '000	\$'000
Macquarie Balanced Growth Fund	52.44	5,467	6,993	485	11,975	3,960
Macquarie Capital Stable Fund	10.02	1,782	1,342	836	2,288	757
Macquarie Life – Emerging Markets	8.67	3,977	1,229	3,226	1,980	655
Macquarie Balanced Fund	–	2,378	13	2,391	–	–
Macquarie Income Advantage Fund	–	499	3	502	–	–
Macquarie Managed Growth Fund	–	496	3	499	–	–
Macquarie Managed Income Fund	–	115	1	116	–	–
Macquarie Life – Pension Emerging Markets	1.69	4,999	317	4,930	386	127

2006	Interest held	Number of units held – opening	Number of units acquired	Number of units disposed	Number of units held – closing	Distributions paid/payable by the Trust
Unitholder	(%)	No. '000	No. '000	No. '000	No. '000	\$'000
Macquarie Balanced Growth Fund	23.82	5,240	1,754	1,527	5,467	1,719
Macquarie Capital Stable Fund	7.77	2,119	564	901	1,782	560
Macquarie Life – Emerging Markets	17.33	4,025	1,247	1,295	3,977	1,250
Macquarie Balanced Fund	10.08	2,434	730	786	2,378	728
Macquarie Income Advantage Fund	2.17	554	158	213	499	157
Macquarie Managed Growth Fund	2.16	465	156	125	496	156
Macquarie Managed Income Fund	0.50	119	36	40	115	36
Macquarie Life – Pension Emerging Markets	21.78	5,248	1,570	1,819	4,999	1,572

Investments

The Trust did not hold any investment in MIML or its affiliates during the year (2006: \$Nil).

Other transactions within the Trust

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

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

	30 June 2007 \$'000	30 June 2006 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/ (outflow) from operating activities		
Profit/(loss) for the year	–	–
Increase/(decrease) in net assets attributable to unitholders	(2,684)	243
Net (gains)/losses on financial instruments held at fair value through profit or loss	(4,946)	(2,289)
Distributions to unitholders	7,849	7,305
Proceeds from sale of financial instruments held at fair value through profit or loss (including net realised gains/(losses))	16,303	8,814
Purchase of financial instruments held at fair value through profit or loss and derivative financial instruments	175	(35)
Distributions reinvested	(562)	(5,797)
Management fee rebates reinvested	–	473
Net change in accrued income and prepaid expenses	(89)	–
Net change in accounts payable and accrued liabilities	127	26
Net cash inflow/(outflow) from operating activities	16,412	8,740

(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

7,335	7,007
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As described in note 2(i), non-distributable income 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 Segment information

The Trust is organised into one main business segment which operates solely in the business of investment management within Australia. Consequently, no segment reporting is provided in the Trust's financial statements.

14 Events occurring after the balance sheet date

No significant events have occurred since balance date which would impact on the financial position of the Trust disclosed in the balance sheet as at 30 June 2007 or on the results and cash flows of the Trust for the year ended on that date.

15 Contingent assets and liabilities and commitments

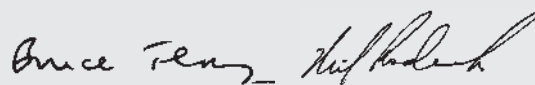
There are no outstanding contingent assets and liabilities or commitments as at 30 June 2007 and 30 June 2006.

Directors' declaration

In the opinion of the Directors of the responsible entity:

- (a) the financial statements and notes set out on pages 4 to 25 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 2007 and of its performance, for the financial year ended on that date.
- (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.

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



Bruce Terry
Director

Neil Roderick
Director

Sydney
17 September 2007

Sydney
17 September 2007

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Emerging Markets Share Trust for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Macquarie Emerging Markets Share Trust.



Craig Stafford
Partner
PricewaterhouseCoopers

Sydney
17 September 2007

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent auditor's report to the unitholders of Macquarie Emerging Markets Share Trust

Report on the financial report

We have audited the accompanying financial report of Macquarie Emerging Markets Share Trust (the "Trust"), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Macquarie Emerging Markets Share Trust.

Directors' responsibility for the financial report

The directors of Macquarie Investment Management Limited (the "responsible entity") are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

Independence

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

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Macquarie Emerging Markets Share Trust is in accordance with the *Corporation Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the Trust's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.


PricewaterhouseCoopers


Craig Stafford
Partner

Sydney
17 September 2007

Directory

Macquarie Investment Management Limited

AFSL 237492
ABN 66 002 867 003
Telephone: 1800 806 310

New South Wales

Level 11, 20 Bond Street
Sydney NSW 2000

Victoria

Level 22, 101 Collins Street
Melbourne VIC 3000

Queensland

Level 8 Comalco Place
12 Creek Street
Brisbane QLD 4000

Western Australia

Level 27 Allendale Square
77 St Georges Terrace
Perth WA 6000

South Australia

151 Pirie Street
Adelaide SA 5000

Internet address

www.macquarie.com.au/personal

Email address

transact@macquarie.com

Macquarie Investment Management Limited (“MIML”) is not an authorised deposit-taking institution for the purposes of the Banking Act (Cth) 1959, and MIML’s obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of MIML.

FORWARD thinking



MACQUARIE