

Macquarie ADF Superannuation Fund

Annual report to members
year ended 30 June 2010

Macquarie Superannuation



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The Macquarie ADF Superannuation Fund RSE R1004502 is a superannuation fund established by way of a trust deed. The trustee for the superannuation fund is Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 RSEL L0001281 (MIML, Macquarie, the trustee, we, us). Contributions are invested in a life insurance policy issued by Macquarie Life Limited ABN 56 003 963 773 AFSL 237497 (Macquarie Life).

MIML and Macquarie Life are wholly owned subsidiaries of Macquarie Group Limited ABN 46 008 583 542.

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. Macquarie Group Limited does not guarantee or otherwise provide assurance in respect of the obligations of MIML.

Investments in the Macquarie ADF Superannuation Fund are not deposits with or other liabilities of Macquarie Group Limited or of any Macquarie Group company, and are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Neither Macquarie Group Limited, MIML, Macquarie Life, nor any other investment managers referred to in this report, nor any other member company of the Macquarie Group guarantees the performance of the Macquarie ADF Superannuation Fund or the repayment of capital from the Macquarie ADF Superannuation Fund.

The information contained in this annual report is dated 15 December 2010 and is general information only. We have not taken into account your objectives, financial situation or needs. You should consider the appropriateness of this information, taking into account your objectives, financial situation and needs and the applicable PDS available from us or your adviser, before acting on any of the information in this annual report.

Welcome

15 December 2010

Dear Member,

Welcome to the annual report for the Macquarie ADF Superannuation Fund for the year ended 30 June 2010.

The 2010 financial year saw a rebound in global economic activity and financial markets. However, this recovery has not been uniform worldwide with some countries significantly outperforming others. Leading the growth table were the developing economies, particularly those in the emerging Asia region.

This demand from Asia has generated significant growth in company profits and business investment in the mining sector, which continues to grow in importance for the Australian economy. As a result, stronger employment and wages growth has driven a rise in income growth throughout the domestic economy. This leaves the Australian economy in a favourable position heading into the 2011 financial year, but the pace of growth is expected to be moderate if interest rates begin to rise.

Thank you for your support

Thank you for choosing the Macquarie ADF Superannuation Fund. If you have any questions about this annual report or the Macquarie ADF Superannuation Fund in general, please talk to your adviser or contact us on 1800 806 310.

Yours sincerely,



Tony Graham
Executive Director

Macquarie Investment Management 2010 Limited

Overview of the Fund

Fund performance

The following investment returns were achieved for the year:

- Super Plan achieved 2.26 per cent
- Allocated Pension Plan achieved 2.73 per cent
- Fixed Pension Plan achieved 2.74 per cent.

Super Plan† Inception: 26/11/84						
Year to 30 June 2010	Year to 30 June 2009	Year to 30 June 2008	Year to 30 June 2007	Year to 30 June 2006	5yrs to 30 June 2010	Inception to 30 June 2010
%	%	%	%	%	% pa	% pa
2.26	3.85	5.02	4.30	3.72	3.83	6.48

Allocated Pension Plan† Inception: 5/8/96						
Year to 30 June 2010	Year to 30 June 2009	Year to 30 June 2008	Year to 30 June 2007	Year to 30 June 2006	5yrs to 30 June 2010	Inception to 30 June 2010
%	%	%	%	%	% pa	% pa
2.73	4.45	5.99	5.17	4.56	4.57	4.55

Fixed Pension Plan† Inception: 3/9/97						
Year to 30 June 2010	Year to 30 June 2009	Year to 30 June 2008	Year to 30 June 2007	Year to 30 June 2006	5yrs to 30 June 2010	Inception to 30 June 2010
%	%	%	%	%	% pa	% pa
2.74	4.45	6.00	5.19	4.58	4.58	4.38

† Returns are quoted net of all fees, charges and taxes with the exception of the account keeping fee and other incidental fees which may be charged directly to your account.

It is important to remember that:

- past performance is no indication of future performance
- your investment is not guaranteed, and
- the value of your investment can rise and fall.

The Macquarie ADF Superannuation Fund (Fund) offers a range of benefits that may assist you in meeting your retirement savings needs at various points throughout your lifetime.

The Fund suits people who are at crossroads in their working life – you may have changed jobs, opted for a redundancy package or taken an early retirement. Whatever the reason, the Macquarie ADF Superannuation Fund allows you to ‘park’ your superannuation money (subject to preservation rules) in a safe place while you consider your investment strategies for the short, medium or long term.

In addition, the Macquarie ADF Superannuation Fund is a secure choice for the cash portion of any diversified portfolio.

The Fund consists of three plans:

- **Super Plan:** enables you to save for your retirement by rolling over your existing superannuation accounts and by making additional superannuation contributions.
- **Allocated Pension Plan:** allows you to use your accumulated superannuation to obtain flexible and tax effective retirement income payments. The plan closed to new investors on 6 May 2004. The closure of the Allocated Pension Plan does not impact the way in which investments in the Fund are managed, nor does it impact the service that members of the Allocated Pension Plan receive in relation to their accounts.
- **Fixed Pension Plan:** closed to new investors on 31 July 1998. For existing investors, it ceased to be treated as an asset test exempt pension for social security purposes in September 1998, as a result of legislative changes.

The financial year in review

The global economy

The 2010 financial year saw a solid rebound in global economic activity and financial markets. Global output is estimated to have risen by around 3.5 per cent in the year to June 2010, with the International Monetary Fund expecting growth to reach 4.5 per cent next year. This recovery however, has not been global, with some countries significantly outperforming others.

Leading the growth tables were the developing economies, particularly those in the emerging Asia region. China was a significant outperformer, with output rising by a very strong 10.3 per cent in the year to June 2010. Growth in China is now moderating towards a more sustainable pace of around 8.5 per cent following policy tightening. The key commodity suppliers to the emerging Asia region, namely Australia and Brazil, have also recorded stronger economic activity.

Meanwhile, the major advanced North Atlantic economies such as the USA, Germany and France also picked up, but the pace of recovery has been more gradual due to high levels of public indebtedness and unemployment. Supported by relatively weaker currencies, growth in these nations is being driven by exports, business investment and manufactured goods production, rather than consumer spending and housing market activity. As governments in these nations attempt to rein in public sector debt levels, fiscal austerity is limiting the degree of support that policymakers can provide to these economies. This means that monetary policy is playing an even more important role, with interest rate settings remaining in a highly expansionary territory for an extended period. Moreover, central bankers are standing ready to provide added support, should it prove necessary.

Public indebtedness is a more major concern in the peripheral European economies, namely Greece, Portugal, Spain and Ireland, which continue to face a deteriorating economic environment.

The Australian economy

The strength of demand from Australia's major trading partners, particularly China and India, has provided a huge boost to the domestic economy. Surging prices for Australia's bulk commodity exports such as coal and iron ore pushed the country's terms of trade to record high levels.

This rise in commodity prices is generating massive growth in company profits and business investment in the mining sector, which continues to grow in importance for the Australian economy. This sharp rise in company profits saw stronger employment and wages growth, thus driving strong income growth through the economy and providing an indication as to the very strong position that the Australian economy finds itself in heading into the 2011 financial year.

It was not just the resources sector that drove the Australian economy forward over the 2010 financial year. In response to earlier stimulus measures, household spending and housing market activity was also strong earlier in the year. However, household spending moderated towards the end of the year on the back of a string of interest rate rises from the Reserve Bank of Australia (RBA).

Improving company profits and very strong labour market conditions have and continue to rebuild government finances. In response to these improvements, the RBA began to gradually reduce the degree of monetary policy stimulus in place by raising the cash rate to more average levels. This leaves Australian policymakers, both fiscal and monetary, in a very strong position to respond to emerging risks in the domestic and global economies.

How the Fund is managed

Glossary

Emerging market – countries which are in a period of rapid growth or industrialisation.

Terms of trade – export prices relative to import prices.

The information provided in this Member update is based on information as at 30 June 2010 and is derived from sources that are believed to be reliable at that time.

This update is provided by Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 RSEL L0001281 (MIML) for general information purposes only and does not take into account the investment objectives, financial situation and needs of any particular investor. These matters should be considered, with or without professional advice when determining whether the investment is appropriate. The Macquarie Group of companies does not guarantee the repayment of capital or the performance of investments. In deciding whether to acquire or continue to hold an investment, investors should consider the product guide or Product Disclosure Statement (PDS) available from us.

The Fund is conservatively managed, investing primarily in shorter term securities (money market) with some holdings in longer term Australian fixed interest securities.

Investment objective

The Fund's objective is to produce consistent returns in a low-risk style by investing in short term money market and fixed interest securities. It is suitable for security-conscious investors looking for either a short, medium or long term investment.

Investment strategy

The Fund will invest a minimum of 70 per cent of the portfolio in money market and fixed interest securities of less than one year's maturity. The Fund may invest the remaining assets in longer dated investments to take advantage of higher yields or the capital gains potential of the bond market. The performance of the short term money market portfolio may be enhanced with the use of structured securities, such as asset-backed securities, listed hybrid securities and interest rate derivatives.

Futures and options

Futures and options (derivatives) can be used in the Fund:

- as a hedge to offset the risk of price variations of securities
- as an alternative to purchasing the physical security, and
- to take advantage of any opportunities that may exist in the market from time to time.

Redemptions from the Fund are met from readily liquefiable securities. The trustee is of the opinion that in the normal course of business the redemption arrangements of the Fund are adequate.

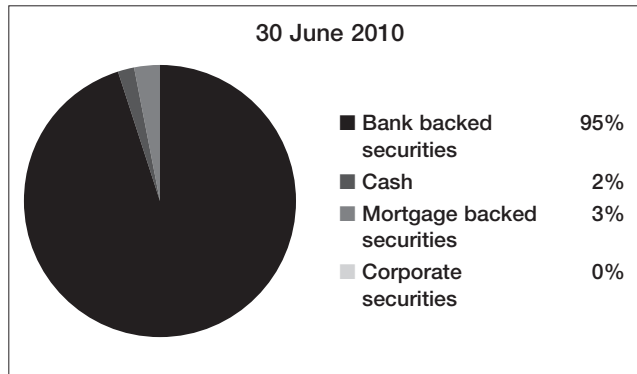
The Fund is invested in a Macquarie Life policy

The Fund is invested in a life policy issued by Macquarie Life Limited (Macquarie Life). Through this policy, your investment has access to a wide variety of cash and fixed interest assets.

Important information

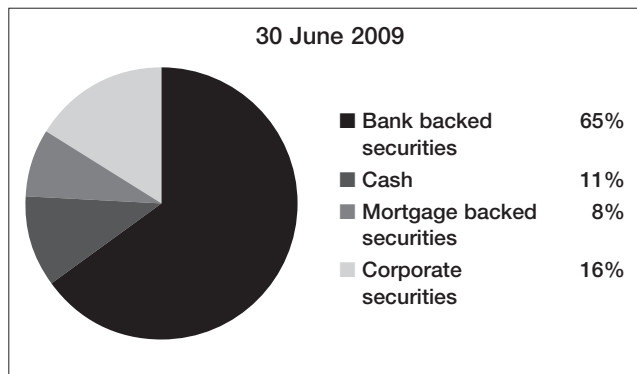
Asset allocation as at 30 June 2010*

Investments held through the Macquarie Life policy represented 100 per cent of the Fund.



Asset allocation as at 30 June 2009*

Investments held through the Macquarie Life policy represented 100 per cent of the Fund.



* The asset allocation shown in these pie charts are the composition of the Fund as at the relevant dates and will vary from day to day as securities are bought and sold.

Recent changes to Macquarie ADF Superannuation Fund

Legislative updates

During the course of the 2009–10 financial year, the Parliament enacted legislation providing for the following measures.

Minimum required pension payments

The Government extended the halving of minimum required superannuation pension payment amounts for account-based, allocated and term allocated income streams for the 2010–11 financial year.

Superannuation clearing house

The Government established a free superannuation clearing house service for small businesses with less than 20 employees. This service is optional and is designed to reduce compliance costs for small businesses when meeting their Super Guarantee obligations. The Small Business Superannuation Clearing House is administered by Medicare Australia and has accepted contributions from 1 July 2010.

Co-contributions

The co-contribution lower income threshold (\$31,920) and upper income threshold (\$61,920) were frozen from 1 July 2010. Indexation will recommence from 1 July 2012.

The shade-out rate remains at 3.333 cents per dollar of total income above the lower income threshold. The dollar-for-dollar matching rate and maximum co-contribution of \$1,000 that is payable on an individual's eligible superannuation contributions has been permanently maintained from 1 July 2010.

Lost super

Superannuation providers are now required to transfer the balance of a lost member's account to the Commissioner of Taxation where the balance of the account is less than \$200, or where the account has been inactive for a period of five years and the provider is satisfied it will never be possible to pay an amount to the member. These amendments apply from 1 July 2010.

Previous year's outstanding proposal

One Government proposal featured in last year's annual report is still outstanding:

Trans-Tasman portability

In March 2009, the Prime Ministers of Australia and New Zealand committed to conclude a scheme for the mobility of trans-Tasman retirement savings which will enable pension funds to be moved between Australia and New Zealand. There have been legislative developments in New Zealand but at the time this report was prepared Australia still needed to pass amending legislation to make the scheme operational.

Government reform

The past 12 months saw several Government reviews concluded and new proposals made that will impact the superannuation industry. The four main developments were:

1. the release of the final report from the Henry Review into taxation
2. the announcement of the Future of Financial Advice reform package
3. the Government's 2010 Federal Budget announcements, and
4. the release of the final report from the Cooper Review into superannuation.

Henry Review

The Australia's Future Tax System Review (the Henry Review) was established by the Rudd Government in 2008 to examine Australia's tax and transfer system. On 2 May 2010 the Government released both the final report from the Henry Review and the Government's response to that report.

The Treasurer, Wayne Swan, announced a selection of modest proposals in response to the Henry Review, (some of which were not recommendations from the review). The following proposals were presented as the first steps in a ten-year agenda, and at the time this report was prepared are not yet law:

- a new Government super contribution of \$500 per year for those making concessional contributions from 1 July 2012 who earn adjusted taxable income of up to \$37,000
- a concessional contributions cap of \$50,000 for individuals aged 50 and over with total super balances below \$500,000 from 1 July 2012

- an increase in the superannuation guarantee (SG) rate from 9 per cent to 12 per cent gradually from 1 July 2013 to 1 July 2019, and
- an increase in the SG age limit from age 70 to 75 from 1 July 2013.

It is expected that the recommendations in the Henry Review (which are not government policy) will be the subject of debate in the coming months and years.

Future of Financial Advice (FOFA)

On 26 April 2010 the Rudd Government announced reforms to financial advice that have been designed to improve the trust and confidence of Australian retail investors in the financial planning sector. The FOFA package includes the following proposals:

- a prospective ban on commissions and volume based payments, in relation to the distribution and advice of retail investment products including superannuation
- the introduction of a statutory fiduciary duty so that financial advisers must act in the best interests of their clients
- increasing transparency and flexibility of payments for financial advice
- percentage-based fees may only be charged on ungeared investment amounts and only if this is agreed to with the retail investor
- expanding the availability of low-cost 'simple advice' to provide access to affordable financial advice
- strengthening the powers of the Australian Securities and Investments Commission (ASIC) to act against unscrupulous operators, and
- the examination of a statutory compensation scheme.

The majority of these reforms will commence from 1 July 2012, subject to transitional measures. The Government will consult with industry on the implementation of the reforms.

Federal Budget 2010

In the May 2010 Federal Budget the Government made several proposals impacting superannuation. Those that have been implemented are included in the legislative update detailed above. At the time this report was prepared the remaining proposals have not yet become law:

- introduction from 1 July 2011 of a 50 per cent tax discount on interest income of up to \$1,000 earned by individuals, including interest earned on deposits held with banks, credit unions, building societies as well as bonds, debentures or annuity-based products
- introduction of a standard deduction of \$500 for work-related expenses and the management of tax affairs from 1 July 2012 (to increase to \$1,000 from 1 July 2013)
- the Government has provided the ability for members to claim for a deduction for eligible super contributions where the contributions have been transferred to a successor superannuation fund, and
- making the cost of providing Terminal Medical Condition (TMC) benefits tax deductible for superannuation funds and Retirement Savings Account providers.

Cooper Review

The Super System Review (Cooper Review), first announced on 29 May 2009, examined and analysed the governance, efficiency, structure and operation of Australia's superannuation system, including both compulsory and voluntary aspects.

The Cooper Review final report was publicly released on 5 July 2010 and contained 177 recommendations to the Government on possible options for reform.

At the time this report was prepared, the Government has not provided a comprehensive response to the recommendations and they have not yet become law. A full response to the Cooper Review is expected to be released by the Government by the end of 2010, following further industry consultation.

Fax and electronic instruction service

Under the fax and electronic instruction service, we will generally accept account instructions, including withdrawal requests, sent in the form of a fax or email attachment.

By providing instructions by way of electronic instruction or fax, you release us from, and indemnify us against, losses and liabilities arising from any payment or action we (acting reasonably) make based on any instruction (even if not genuine) that we receive by fax or electronically bearing your account number, a signature apparently yours or that of an authorised representative on the account.

You also agree that neither you nor anyone claiming through you has any claim against the Macquarie Group of companies in relation to these payments or actions.

Accounts with no ongoing balance

If we have opened your account and no rollovers or contributions are made within three months, we reserve the right to close your account.

Eligible Rollover Fund

The trustee has elected to pay all accounts with a balance under \$1,200 to an Eligible Rollover Fund (ERF), which accepts and protects small amounts. The ERF chosen is called the Super Safeguard Eligible Rollover Fund.

The Super Safeguard Eligible Rollover Fund is administered by Primary Superannuation Services Limited ABN 32 361 309 012 AFSL 238827. APRA has approved the Super Safeguard Eligible Rollover Fund to operate as an ERF. The trustee is Trust Company Superannuation Services Limited ABN 49 006 421 638 AFSL 235153.

Trust Company Superannuation Services Limited will protect your benefits from erosion due to fees and charges under member benefit protection rules. Should your benefit be transferred to the Super Safeguard Eligible Rollover Fund, all subsequent enquiries relating to your benefit should be directed to:

Super Safeguard Eligible Rollover Fund

GPO Box 3426

Melbourne Victoria 3001

Phone: 1300 135 181

Fax: 1300 135 191

Email: supersafeguard@primary.com.au

Should your benefit be transferred to the Super Safeguard Eligible Rollover Fund:

- your interest in the Fund will cease
- you will become a member of the Super Safeguard Eligible Rollover Fund and will be subject to its governing rules
- your account will be invested according to the investment strategy of the Super Safeguard Eligible Rollover Fund
- the Super Safeguard Eligible Rollover Fund may charge fees to your account, and
- you may not be offered insurance cover.

You should refer to the Product Disclosure Statement for the Super Safeguard Eligible Rollover Fund for more information.

We reserve the right to change the chosen ERF without notice to you.

Trustee and fund management information

During the 2009–10 financial year, the value of combined investments in Macquarie Life Limited (\$650 million) held by the Fund was greater than 5 per cent of the Fund's total assets.

Use of derivatives

We may invest in derivatives to obtain or reduce market exposure. Derivatives, such as futures and options, are financial instruments whose value is derived from actual underlying assets. Futures and options can be used to offset the risk of price variations in securities or as an alternative to buying the underlying security. Futures and options can also be used to seek to take advantage of any opportunities for profit which may exist in the market from time to time. As the market value of derivatives is variable, gains and losses can be incurred and this can be magnified due to the leveraged nature of the investments.

The Macquarie ADF Superannuation Fund may use derivative securities such as futures, options and swaps:

- as a hedge
- as an alternative to buying and selling the physical security, or
- to take advantage of opportunities for profit.

If we decide to use derivatives, we ensure that the Macquarie ADF Superannuation Fund can always meet its commitments without having to borrow.

If you have a complaint

Macquarie ADF Superannuation Fund has arrangements for dealing with your inquiries and complaints. If you have a complaint:

- you may telephone us on 1800 806 310, and/or
- it may then be necessary to write to us

We will ordinarily respond to your written inquiry or complaint within 45 days of receipt.

If you are still not satisfied with our response after 90 days, you may wish to refer the matter to the Superannuation Complaints Tribunal, an independent body set up by the Federal Government to review trustee decisions relating to individual members. You can contact the tribunal by telephoning 1300 884 114.

Financial statements

of the Macquarie ADF Superannuation Plan

Operating statement for year ended
30 June 2010

	<i>Note</i>	2010	2009
		\$'000	\$'000
Investment revenue			
Changes in the net market value of investments	<i>10</i>	14,580	27,560
Total investment revenue		14,580	27,560
Contributions revenue			
Employer contributions		21,489	33,489
Members' contributions		85,507	117,832
Transfers from other Funds		170,731	205,435
Total contributions revenue		277,727	356,756
Total revenue		292,307	384,316
Expenses			
Superannuation contributions surcharge		17	44
Group tax		238	386
Contributions tax		6,949	10,515
Other		52	53
Total expenses		7,256	10,998
Benefits accrued as a result of operations before income tax			
		285,051	373,318
Income tax (benefit) expense	<i>3</i>	-	-
Benefits accrued as a result of operations		285,051	373,318

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

Statement of financial position as at
30 June 2010

	<i>Note</i>	2010	2009
		\$'000	\$'000
Assets			
Cash and cash equivalents	<i>12 (b)</i>	1,843	1,875
Receivables		-	4
Investments	<i>5</i>	650,304	731,390
Total assets		652,147	733,269
Liabilities			
Trade and other payables	<i>8</i>	3,614	6,942
Total liabilities		3,614	6,942
Net assets available to pay benefits		648,533	726,327
Represented by:			
Liability for accrued benefits			
Allocated to members' accounts	<i>6</i>	648,533	726,327

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

Notes to and forming part of the financial statements

Statement of cash flows for the year ended 30 June 2010

	<i>Note</i>	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Contributions and transfers from other Funds		277,727	356,756
Benefit payments		(362,845)	(446,697)
Other member transactions paid		(10,580)	(16,739)
Net cash outflows from operating activities	<i>12 (a)</i>	(95,698)	(106,680)
Cash flows from investing activities			
Payments for purchases of investments		(82,797)	(100,013)
Proceeds from sales of investments		178,463	206,672
Net cash inflows from investing activities		95,666	106,659
Net decrease in cash held		(32)	(21)
Cash at the beginning of the financial year		1,875	1,896
Cash at the end of the financial year	<i>12 (b)</i>	1,843	1,875

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

1. General information

The Fund commenced on 20 November 1984 and will continue in operation indefinitely pursuant to the provisions of the trust deed.

In accordance with amendments to the Superannuation Industry (Supervision) act 1993 the fund was registered with the Australian Prudential Regulation Authority (APRA) on the 17 June 1996. The Fund is a defined contribution fund where by contributions of members and employers are made in accordance with the trust deed.

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.

(a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, including AAS 25 Financial Reporting by Superannuation Plans, as amended by AASB 2005–13 (December 2005), other authoritative pronouncements of the Australian Accounting Standards Board, the provisions of the trust deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and provisions of the trust deed.

This financial report does not comply with International Reporting Standards due to the requirements of AAS 25 Financial Reporting by Superannuation Plans. However, Australian Accounting Standards include Australian equivalents to International Reporting Standards (AIFRS), and these have been applied where necessary, except to the extent that they are inconsistent with AAS 25 Financial Reporting by Superannuation Plans.

(b) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the functional currency of the Fund. Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

(c) Use of estimates and judgments

In the application of accounting standards management may be required to make judgments, estimates and assumptions in determining the carrying values of assets and liabilities. For the majority of the Fund's investments, quoted market prices are used in determining the value of investments.

Where estimates and assumptions are used in determining the carrying value of assets, these are reviewed on an ongoing basis and are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(d) Investments

Investments in life policies are valued by reference to the prevailing redemption prices as at the reporting date, as advised by the underlying investment manager.

(e) Revenue and expense recognition

Changes in the value of investments are recognised in the operating statement in the periods in which they occur. Contributions and transfers from other funds are brought to account when received. Expenses are recognised on an accruals basis and if not paid at the reporting date, are reflected in the statement of financial position as a payable.

(f) Liability for accrued benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amount of the sundry liabilities and income tax liabilities as at the reporting date.

(g) Goods and Services Tax (GST)

Where applicable GST incurred by the Fund that is not recoverable from the Australian Taxation Office, has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST included in their carrying amounts.

(h) Receivables and other payables

Receivables are recognised at fair value. Other payables represent liabilities for goods and services provided to the Fund prior to the end of the financial year and which are unpaid. The amounts are unsecured. Receivables and other payables are subject to normal trade credit terms.

(i) Cash

For the purpose of the statement of cashflows, cash includes cash deposits that are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(j) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Trustee anticipates that these Standards will have no material financial impact on the financial report of the Fund. The standards are set out below:

(i) AASB 9 Financial Instruments and AASB 2009–11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 addresses the classification and measurement of financial assets and only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss. As the Fund adopts AAS 25 Financial Reporting by Superannuation Plans, this standard will not impact the Fund.

3. Income tax

The Fund has received certification from the Australian Prudential Regulation Authority confirming the Fund's complying status and this has not since been revoked.

No tax is payable in respect of the life policies held by the Macquarie ADF Superannuation Fund as all tax has been paid by Macquarie Life Limited.

Investment earnings from investment in Macquarie Life Limited are paid to members net of income tax payments and insurance premiums

The Fund intends to take advantage of the section 275 election where by the contributions tax liability of the Fund is transferred to Macquarie Life. This is consistent with prior year, and hence no direct payment of contributions tax will be made from the Fund to the ATO.

4. Superannuation contribution surcharge

The Superannuation Laws Amendment (abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

Superannuation Contribution Surcharge is levied on surchargeable contributions on the basis of the individual member's adjusted taxable income. The liability for the Superannuation Contribution Surcharge is recognised when the assessment is received, as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Fund has been charged to the relevant members' accounts.

5. Investments

The investment below is managed by Macquarie Life Limited for and on behalf of the Fund.

	2010 \$'000	2009 \$'000
Macquarie Life Wholesale Superannuation Policy	650,304	731,390

6. Liability for accrued benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries at the reporting date.

	2010 \$'000	2009 \$'000
Changes in the liability for accrued benefits:		
Opening accrued benefits	726,327	799,706
Plus: benefits accrued as a result of operations	285,051	373,318
Less: benefits paid	(362,845)	(446,697)
Liability for accrued benefits closing	648,533	726,327
Represented by:		
ADF Superannuation	644,110	721,325
ADF Allocated Pension	3,734	4,282
ADF Fixed Pension	689	720
	648,533	726,327

7. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any other factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

	2010 \$'000	2009 \$'000
Vested benefits	648,533	726,327

8. Trade and other payables

	2010 \$'000	2009 \$'000
Contributions tax owed to Macquarie Life Limited	3,607	6,940
Creditors	7	2
	3,614	6,942

9. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

10. Changes in the net market value of investments

	2010 \$'000	2009 \$'000
Investments held at year end – unrealised	32	13,580
Investments realised during the period – realised	14,548	13,980
	14,580	27,560

11. Related parties

The Trustee of the Fund is Macquarie Investment Management Limited (MIML), a wholly owned subsidiary of Macquarie Group Limited. 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
 N Roderick (resigned 29/03/2010)
 T Graham (appointed 29/03/2010)
 R Cartwright
 V Malley
 C Vignes
 M Rady (resigned 01/02/2010)
 C Swanger (appointed 08/02/2010)

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the year.

There were no transactions between the Trustee and the Fund, or the directors of the trustee and the Fund, except as follows:

- (a) The Fund enters into transactions with related parties through the units held in life policies issued by Macquarie Life Limited (MLL), a related entity of the Trustee. These transactions are entered into on normal commercial terms and include the payment of management fees as described in (c) below. The Trustee is the manager of investment assets held by Macquarie Life Limited. Full details of the Fund's investments are set out in note 5. MLL is a wholly owned subsidiary of Macquarie Group Limited.
- (b) The Fund also maintains a cash account with Macquarie Bank Limited, the ultimate parent entity of the trustee. The balance in this cash account at year end is \$1,843,216 (2009: \$1,875,105).
- (c) The Trustee recovers administration fees (management fee and the expense recovery) from members. The management fee has been calculated and deducted by Macquarie Life Limited in accordance with the Trust

Deed at the rate of 0.84 per cent pa on net asset value. The expense recovery includes expenses incurred in maintaining records, issuing statements, making payments, professional costs, litigation expenses and expenses in relation to member meetings. The expense recovery has been calculated at the rate of 0.37 per cent pa on net asset value.

Macquarie Life Limited deducted \$7,856,037 in administration fees for the financial year ended 30 June 2010 (2009: \$8,241,436).

- (d) The Trustee has appointed Bond Street Custodians Limited (BSCL) to hold the Fund's investments in custody. BSCL is a wholly owned subsidiary of Macquarie Group Limited.

12. Notes to the statement of cash flows

- (a) Reconciliation of net cash flows from operating activities to benefits accrued as a result of operations

	2010 \$'000	2009 \$'000
Benefits accrued as a result of operations	285,051	373,318
Realised gains on investments	(14,548)	(13,980)
Unrealised losses on investments	(32)	(13,580)
Benefit payments	(362,845)	(446,697)
Changes in assets and liabilities		
Increase in receivables	4	10
Decrease in creditors and provisions	(3,328)	(5,751)
Net cash outflows from operating activities	(95,698)	(106,680)

- (b) Components of cash

	2010 \$'000	2009 \$'000
Cash at the end of the financial year as shown in the statement of cash flows and is reconciled to the statement of financial position as follows:		
Cash at bank	1,843	1,875

13. Remuneration of auditors

	2010 \$	2009 \$
Remuneration for the audit of the financial report, APRA returns, compliance with SIS and APRA licence	38,800	45,962
	38,800	45,962

Fees for the audit were paid by Macquarie Investment Management Limited. The auditors, Ernst & Young, did not provide any other services to the Fund. The 2009 fees were paid to the previous auditor PricewaterhouseCoopers.

14. Financial Risk Management

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement, monitoring and other controls. A risk framework is documented in the Fund's Risk Management Plan and Strategy which is reviewed regularly by the Trustee.

(a) Financial Risk Exposures

The Fund's investment activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk further described below.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, currency risk and interest rate risk.

PRICE RISK

The Fund invests in life insurance policies issued by Macquarie Life Limited which invest into cash and fixed interest securities.

All investments present a risk of loss of capital. The Investment Manager of Macquarie Life Limited moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the value of the financial instruments. The underlying Fund's overall market positions are monitored on a daily basis by Macquarie Life's Investment Manager.

In accordance with the Fund's policy, the risk management department of the Fund's Investment Manager monitors the Fund's overall market price sensitivity on a daily basis. This is done by seeking to ensure the Fund is fully invested in life insurance policies issued by Macquarie Life Limited as per the Fund's offer document.

The Fund's investments are susceptible to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund is wholly invested in life policies. The effect on net assets available to pay benefits due to reasonable

possible change in market factors with all other variable held constant is indicated in the tables below.

	Change in Investment Value		Net assets available to pay benefits as a result of change		
	Carrying Amount	1% Decrease	1% Increase		
Macquarie Life Policies					
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
	650,304	(65,030)	65,030	583,503	713,563
30 June 2009	\$'000	\$'000	\$'000	\$'000	\$'000
	731,390	(73,139)	73,139	653,188	799,466

CURRENCY RISK

All of the investments of the Fund are denominated in Australian dollars, and the values of investments are not directly exposed to changes in their market value as a result of fluctuations in the currency rates.

INTEREST RATE RISK

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

The Fund is indirectly exposed to interest rate risk through the underlying assets invested by Macquarie Life Limited.

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

(ii) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligation to the Fund. Credit risk arises from the Fund's underlying investments in the life insurance policies issued by Macquarie Life Limited.

The Fund invests entirely in life insurance policies issued by Macquarie Life Limited. Credit risk is not considered to be significant to the Fund as the underlying investments of the life policies are varied and Macquarie Life Limited continues to meet its capital and solvency requirements under the Life Insurance Act 1995.

(iii) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations as they fall due.

The Fund is exposed to daily cash payments of members' benefits. It therefore invests the majority of its assets in life insurance policies that have daily unit pricing and can be readily disposed.

The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due irrespective of prevailing conditions. This will be achieved without incurring unacceptable losses or risking damage to the Fund's reputation.

	Carrying amount	On Demand	Less than 1 month	1-3 months	3 months to a year
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Accounts payable	3,614	-	3,614	-	-
Vested benefits	648,533	648,533	-	-	-
	652,147	648,533	3,614	-	-
30 June 2009					
Accounts payable	6,942	-	6,942	-	-
Vested benefits	726,327	726,327	-	-	-
	733,269	726,327	6,942	-	-

In accordance with the Fund's Product Disclosure Statement, the risk management area of the Trustee monitors the Fund's liquidity position on a daily basis. The Fund's cash and liquidity policy is to hold sufficient cash balances and other liquid assets to meet anticipated benefit payments and Fund expenses as they fall due.

(iv) Fair value hierarchy of investments

The amendments to AASB 7 require the Fund to classify fair value measurements using a hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices are available in active markets for identical assets

Level 2: Inputs other than quoted prices included in level 1 are observable for the asset either directly (ie, as prices) or indirectly (ie, derived from prices)

Level 3: Inputs for the asset are not based on observable market data.

Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement in its entirety. A fair value measurement using observable inputs that require significant adjustment based on unobservable inputs would be a level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Fund's financial assets by class categorised according to the fair value hierarchy at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Financial assets	Level 1	Level 2	Level 3	Total balance
30 June 2010	\$'000	\$'000	\$'000	\$'000
Life Insurance policies with Macquarie Life Limited	-	650,304	-	650,304
Total financial assets	-	650,304	-	652,147

15. Commitments and contingent liabilities

There are no commitments as at 30 June 2010 (2009: \$Nil). There are no contingent liabilities as at 30 June 2010 (2009: \$Nil).

16. Events subsequent to balance date

There have been no significant events that have occurred after the reporting date that affects the interpretation of the financial information contained in these financial statements.

In the opinion of the trustee:

- i) the financial statements set out on pages 16 to 29 are drawn up so as to present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Macquarie ADF Superannuation Fund as at 30 June 2010 and the benefits accrued as a result of its operations and its cash flows for the year then ended,
- ii) the financial statements have been prepared in accordance with the full provisions of Australian Accounting Standards AAS 25, Financial Reporting by Superannuation Funds, other relevant Australian General Accepted Accounting Principles, Australian Equivalents to International Financial Reporting Standards, the provisions of the Trust Deed, and relevant legislative requirements, and
- iii) the Fund has complied with the requirements of the Trust Deed dated 20 November 1984, as amended, and with the applicable provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations, and the Corporations Act 2001 and Regulations and Guidelines during the year ended 30 June 2010.

This statement is made in accordance with the resolution of the directors of the trustee company, Macquarie Investment Management Limited.



T Graham
Director



B Terry
Director

Sydney
28 October 2010

Macquarie ADF Superannuation Fund
(ABN: 68 073 150 096)

Independent report by the Approved Auditor to the
Trustee and Members

Financial Statements

I have audited the financial statements of Macquarie ADF Superannuation Fund for the year ended 30 June 2010 comprising the statement of financial position, operating statement, cash flow statement, summary of significant accounting policies, other explanatory notes and the Trustee statement.

Trustee's Responsibility for the Financial Statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements of the SIS Act and the Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations). The trustee's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of Macquarie ADF Superannuation Fund.

My audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

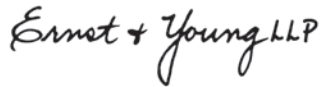
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements 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 trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the financial position of Macquarie ADF Superannuation Fund as at 30 June 2010 and the results of its operations and its cash flows for the year ended 30 June 2010.



Ernst & Young



Graeme McKenzie
Partner

Sydney
October 2010

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