

# **Macquarie Income Plus Fund No. 1**

ARSN 107 266 446

## **Annual report - 30 June 2010**

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This financial report covers Macquarie Income Plus Fund No. 1 as an individual entity.

The Responsible Entity of Macquarie Income Plus Fund No. 1 is Macquarie Investment Management Limited (ABN 66 002 867 003). The Responsible Entity's registered office is Mezzanine Level, No. 1 Martin Place, Sydney, NSW 2000.

## Directors' report

The directors of Macquarie Investment Management Limited (a wholly owned subsidiary of Macquarie Group Limited), the Responsible Entity of Macquarie Income Plus Fund No. 1, present their report together with the financial report of Macquarie Income Plus Fund No. 1 ("the Trust") for the year ended 30 June 2010.

### 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  
 C Swanger (appointed 08/02/2010)  
 N Roderick (resigned 29/03/2010)  
 T Graham (appointed 29/03/2010)  
 R Cartwright  
 V Malley  
 C Vignes  
 M Rady (resigned 01/02/2010)

### 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 2010	30 June 2009
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>7,576</u>	<u>(3,632)</u>
<i>Distributions</i>		
Distribution paid and payable (\$'000)	<u>2,932</u>	<u>2,443</u>
Distribution (cents per unit)	<u>4.29</u>	<u>3.19</u>

### Significant changes in state of affairs

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

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

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

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

## Directors' report (continued)

### Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment 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 8 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 8 the financial statements.

### Interests in the Trust

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

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

### Environmental regulation

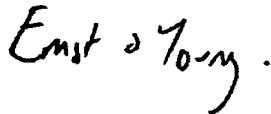
The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### Rounding of amounts to the nearest thousand dollars

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

## Auditor's Independence Declaration to the Directors of Macquarie Investment Management Limited, as Responsible Entity for Macquarie Income Plus Fund No. 1

In relation to our audit of the financial report of Macquarie Income Plus Fund No. 1 for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to be 'G. McKenzie'.

Graeme McKenzie  
Partner  
16 August 2010

**Statement of comprehensive income**

	Notes	30 June 2010 \$'000	30 June 2009 \$'000
<b>Investment income</b>			
Distribution income		2,806	2,241
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	4,639	(6,069)
Other operating income		<u>214</u>	<u>348</u>
<b>Total net investment income/(loss)</b>		<u><b>7,659</b></u>	<u><b>(3,480)</b></u>
<b>Expenses</b>			
Responsible Entity's fees	8	<u>83</u>	<u>152</u>
<b>Total operating expenses</b>		<u><b>83</b></u>	<u><b>152</b></u>
<b>Operating profit/(loss)</b>		<u><b>7,576</b></u>	<u><b>(3,632)</b></u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		(2,932)	(2,443)
(Increase)/decrease in net assets attributable to unitholders	6	<u>(4,644)</u>	<u>6,075</u>
<b>Profit/(loss) for the year</b>		<u><b>-</b></u>	<u><b>-</b></u>
<b>Total comprehensive income for the year</b>		<u><b>-</b></u>	<u><b>-</b></u>

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

**Statement of financial position**

	Notes	30 June 2010 \$'000	30 June 2009 \$'000
<b>Assets</b>			
Cash and cash equivalents		7	-
Receivables		51	60
Financial assets held at fair value through profit or loss	7	<u>69,182</u>	<u>63,617</u>
<b>Total assets</b>		<u><b>69,240</b></u>	<u><b>63,677</b></u>
<b>Liabilities</b>			
Responsible Entity fees payable		<u>21</u>	<u>33</u>
<b>Net assets attributable to unitholders - liability</b>	6	<u><b>69,219</b></u>	<u><b>63,644</b></u>

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

**Statement of changes in equity**

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

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

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

**Statement of cash flows**

	Notes	30 June 2010 \$'000	30 June 2009 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		2,098	95,650
Purchase of financial instruments held at fair value through profit or loss		-	(502)
Other income received		6	451
Responsible Entity's fees paid		(87)	(181)
Payment of other expenses		(9)	(22)
<b>Net cash inflow from operating activities</b>	9(a)	<u>2,008</u>	<u>95,396</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		-	-
Payments for redemptions by unitholders		(2,001)	(95,396)
<b>Net cash outflow from financing activities</b>		<u>(2,001)</u>	<u>(95,396)</u>
<b>Net increase in cash and cash equivalents</b>		7	-
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<u>7</u>	<u>-</u>
Non-cash financing activities	9(b)	2,932	2,443

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

## 1 General information

This financial report covers Macquarie Income Plus Fund No. 1 ("the Trust") as an individual entity. The Trust was constituted on 5 December 2003.

The Responsible Entity of the Trust is Macquarie Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Mezzanine Level, No. 1 Martin Place, Sydney, NSW 2000. The financial report is presented in Australian currency.

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

The financial statements were authorised for issue by the directors on 16 August 2010. The directors of the Responsible Entity have the power to amend and reissue the financial report.

## 2 Summary of significant accounting policies

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

### (a) Basis of preparation

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

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

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

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

### (b) Financial instruments

#### (i) Classification

The Trust's investments are categorised as at fair value through profit or loss. They comprise financial instruments designated at fair value through profit or loss upon initial recognition.

These include financial assets that are not held for trading purposes and which may be sold, such as 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 has expired or the Trust has transferred substantially all risks and rewards of ownership.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iii) Measurement

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

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

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

##### (b) Loans and receivables

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

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

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

### (c) Net assets attributable to unitholders

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

### (d) Cash and cash equivalents

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

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

### (e) Investment income

Interest income and expenses are recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

## 2 Summary of significant accounting policies (continued)

### (e) Investment income (continued)

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

Trust distributions are recognised on an entitlements basis.

### (f) Expenses

All expenses, including Responsible Entity's fees, are recognised in statement of comprehensive income 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.

### (h) Distributions

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

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

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

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

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

## 2 Summary of significant accounting policies (continued)

### (k) Receivables

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

Receivables include such items as RITC and application monies receivable from unitholders.

### (l) Payables

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

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

### (o) New accounting standards and interpretations

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

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

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

### (p) Rounding of amounts

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

### 3 Financial risk management

#### (a) Strategy in using financial instruments

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

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

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

#### (b) Market risk

##### (i) Price risk

The Trust trades in financial instruments by taking positions in unlisted trusts.

All securities investments present a risk of loss of capital. The Investment Manager of the underlying trust 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 fair value of the financial instruments. The underlying trust's overall market positions are monitored on a daily basis by that trust's Investment Manager.

In accordance with the Trust's policy, the risk management department of the Trust's Investment Manager monitors the Trust's overall market price sensitivity on a daily basis. This is done by seeking to ensure the Trust is fully invested in underlying trusts as per the Trust's offer document.

The Trust's unlisted investments are susceptible to market price risk arising from uncertainties about future prices of the underlying trusts.

At 30 June 2010, the Trust's market risk is affected by changes in market prices. If the UBS Australian Bank Bill Index at 30 June 2010 had increased by 15% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately \$10,377,300 (2009: 10% - \$6,361,700). Conversely, if the UBS Australian Bank Bill Index at 30 June 2010 had decreased by 15% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately \$10,377,300 (2009: \$6,361,700).

##### (ii) Foreign exchange risk

The Trust is not exposed to foreign exchange risk as all assets are denominated in Australian dollars.

##### (iii) Interest rate risk

The majority of the Trust's financial assets and liabilities are non-interest bearing. While the Trust is normally fully invested in the underlying trust, 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 Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

#### (c) Credit risk

Credit risk arises from the Trust's investment in underlying trusts.

In accordance with the Trust's policy, the risk management area of the Investment Manager monitors the credit position of the underlying trust on a daily basis.

Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions. None of these are impaired nor past due but not impaired.

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

### 3 Financial risk management (continued)

#### (d) Liquidity risk

The Trust is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in unlisted trusts that have daily unit pricing and can be readily disposed of.

In accordance with the Trust's policy, the risk management area of the Investment Manager monitors the Trust's liquidity position on a daily basis. This is managed by seeking to ensure provisions are in place to manage liquidity obligations for all unitholders.

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

Subject to the *Corporations Act 2001* and the Trust's Constitution, redeemable units are redeemed on demand at the holder's option. All other liabilities are payable within 30 days.

#### (e) Fair value estimation

The carrying amounts of the Trust's assets and liabilities at the reporting date approximate their fair values.

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

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

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

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

As at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Financial assets</b>				
- Unlisted unit trusts	-	69,182	-	69,182
<b>Total</b>	-	69,182	-	69,182

#### 4 Auditor's remuneration

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

	30 June 2010 \$	30 June 2009 \$
<b>Audit services</b>		
Audit and review of financial reports	2,850	3,174
Other audit work under the <i>Corporations Act 2001</i>	<u>290</u>	<u>1,400</u>
Total remuneration for audit services	<u>3,140</u>	<u>4,574</u>

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

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

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

	30 June 2010 \$'000	30 June 2009 \$'000
Net gains/(losses) on financial instruments designated as at fair value through profit or loss	<u>4,639</u>	<u>(6,069)</u>

#### 6 Net assets attributable to unitholders

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

As stipulated within the 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 2010 No. '000	30 June 2009 No. '000	30 June 2010 \$'000	30 June 2009 \$'000
Opening balance	68,859	167,962	63,644	162,672
Applications	-	-	-	-
Redemptions	(2,031)	(101,761)	(2,001)	(95,396)
Units issued upon reinvestment of distributions	2,982	2,658	2,932	2,443
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>4,644</u>	<u>(6,075)</u>
Closing balance	<u>69,810</u>	<u>68,859</u>	<u>69,219</u>	<u>63,644</u>

#### Capital risk management

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

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

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

	30 June 2010 Fair value \$'000	30 June 2009 Fair value \$'000
<b>Designated at fair value through profit or loss</b>		
Unlisted unit trusts	<u>69,182</u>	<u>63,617</u>
Total designated at fair value through profit or loss	<u>69,182</u>	<u>63,617</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>69,182</u>	<u>63,617</u>
<b>Comprising:</b>		
<b>Unlisted unit trusts</b>		
Units in Australian unlisted unit trusts	<u>69,182</u>	<u>63,617</u>
Total unlisted unit trusts	<u>69,182</u>	<u>63,617</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>69,182</u>	<u>63,617</u>

## 8 Related party transactions

### Responsible Entity

The Responsible Entity of Macquarie Income Plus Fund No. 1 is Macquarie Investment Management Limited (MIML), a wholly owned subsidiary of Macquarie Group Limited.

### Key management personnel

The following persons held office as directors of MIML during the year or since the end of the year and up to the date of this report.

B N Terry  
C Swanger (appointed 08/02/2010)  
N Roderick (resigned 29/03/2010)  
T Graham (appointed 29/03/2010)  
R Cartwright  
V Malley  
C Vignes  
M Rady (resigned 01/02/2010)

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

### Key management personnel unitholdings

At 30 June 2010 no key management personnel held units in the Trust (2009: Nil).

### Key management personnel loan disclosures

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

### Responsible Entity's fees and other transactions

For the year ended 30 June 2010, in accordance with the Trust Constitution, the Responsible Entity received a total fee of 0.12% of net asset value (inclusive of GST, net of RITC available to the Trust) per annum (2009: 0.12%).

## 8 Related party transactions (continued)

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

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

	30 June 2010 \$	30 June 2009 \$
Management fees for the year paid by the Trust to the Responsible Entity	<u>82,750</u>	<u>152,062</u>
Fees earned by the Responsible Entity in respect of investments by the Trust in other schemes managed by the Responsible Entity*	<u>214,130</u>	<u>347,865</u>
Aggregate amounts payable to the Responsible Entity at the reporting date	<u>20,751</u>	<u>33,315</u>

\* 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 related parties and other schemes managed by MIML), hold no units in the Trust (2009: Nil).

### Investments

The Trust held investments in the following schemes which are also managed by MIML or its related parties:

	Fair value of investment		Interest held		Distributions received/receivable	
	2010 \$	2009 \$	2010 %	2009 %	2010 \$	2009 \$
Macquarie Income Plus Fund	<u>69,181,558</u>	<u>63,616,909</u>	<u>26.84</u>	<u>25.81</u>	<u>2,806,381</u>	<u>2,241,472</u>

No distributions receivable remain unpaid as at 30 June 2010 (2009: \$Nil).

### Other transactions within the Trust

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

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

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

## 9 Reconciliation of profit/(loss) to net cash inflow from operating activities

	30 June 2010 \$'000	30 June 2009 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow from operating activities</b>		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	4,644	(6,075)
Distributions reinvested	(2,806)	(2,241)
Rebates reinvested	(218)	-
Proceeds from sale of financial instruments held at fair value through profit or loss	2,098	95,650
Purchase of financial instruments held at fair value through profit or loss	-	(502)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(4,639)	6,069
Distributions to unitholders	2,932	2,443
Net change in receivables and other assets	9	76
Net change in payables and other liabilities	(12)	(24)
<b>Net cash inflow from operating activities</b>	<b>2,008</b>	<b>95,396</b>
<b>(b) Non-cash financing and investing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>2,932</u>	<u>2,443</u>

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

## 10 Events occurring after year end

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

## 11 Contingent assets and liabilities and commitments

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

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 19 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 2010 and of its performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



R Cartwright  
Director

Sydney  
16 August 2010

## Independent auditor's report to the unitholders of Macquarie Income Plus Fund No. 1

We have audited the accompanying financial report of Macquarie Income Plus Fund No. 1, ("the Fund") which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' Responsibility for the Financial Report***

The directors of the Responsible Entity, Macquarie Investment Management Limited, are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the fund's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

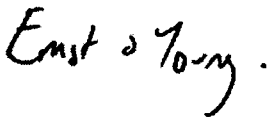
### ***Independence***

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

**Auditor's Opinion**

In our opinion:

1. the financial report of Macquarie Income Plus Fund No. 1 is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Macquarie Income Plus Fund No. 1 at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



Ernst & Young



Graeme McKenzie  
Partner  
Sydney  
16 August 2010