

# MACQUARIE INVESTMENT FUNDS

## Report to Investors

for the year ended  
30 June 2007

	ARSN
Macquarie Active Australian Equities Trust	091 021 493
Macquarie International Share Trust (formerly Macquarie Lazard International Share Trust)	091 021 019
Macquarie Gilt Edge Bond Trust	087 067 169
Macquarie Property Securities Trust	084 815 878
Macquarie Balanced Fund	089 606 164
Macquarie Balanced Fund No. 1	089 047 567
Macquarie Income Advantage Fund	089 606 566
Macquarie Managed Growth Fund	089 606 342
Macquarie Small Companies Growth Trust	092 086 265
Macquarie Leaders Imputation Trust	092 085 777



**Macquarie Investment Management Limited**

ABN 66 002 867 003

The responsible entity's registered office is Level 7, 1 Martin Place, SYDNEY NSW 2000

**MACQUARIE INVESTMENT FUNDS**

**Income Statements  
for the year ended 30 June 2007**

	Macquarie Active Australian Equities Trust	Macquarie International Share Trust	Macquarie Gilt Edge Bond Trust	Macquarie Property Securities Trust	Macquarie Balanced Fund
Note	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007
Investment income					
Distribution income	4,867,898	3,510,821	168,528	3,740,077	11,813,672
Interest income	23	-	2,060,157	10	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	1,934,762	2,124,116	(335,465)	1,960,338	6,491,388
Other operating income	112,865	41,418	-	168,964	439,420
<b>Net investment income/(loss)</b>	<b>6,915,548</b>	<b>5,676,355</b>	<b>1,724,692</b>	<b>5,869,389</b>	<b>18,744,480</b>
<b>Expenses</b>					
Responsible entity fees	497,320	446,140	339,649	603,055	2,210,290
Interest expense	-	-	469,812	-	46,965
Other operating expenses	109	166	135	146	5,343
<b>Total operating expenses</b>	<b>497,429</b>	<b>446,306</b>	<b>339,784</b>	<b>603,201</b>	<b>2,262,598</b>
<b>Operating profit/(loss)</b>	<b>6,418,119</b>	<b>5,230,049</b>	<b>1,252,889</b>	<b>5,266,188</b>	<b>16,481,882</b>
<b>Financing costs attributable to unitholders from operations</b>					
Distributions to unitholders	4,883,118	1,101,729	1,048,806	3,433,246	15,514,490
Increase/(decrease) in net assets attributable to unitholders	1,535,001	4,128,320	2,296,226	1,832,942	967,392
<b>Profit/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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



**MACQUARIE INVESTMENT FUNDS**

**Balance Sheets  
as at 30 June 2007**

	Note	Macquarie Active Equities Trust		Macquarie International Share Trust		Macquarie Gilt Edge Bond Trust		Macquarie Property Securities Trust		Macquarie Balanced Fund	
		30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
<b>Assets</b>											
Cash and cash equivalents	8	42,139	548	36,406	75	26,075,225	22,484,683	1,162,304	3,613	2,323,592	896,480
Receivables	9	17,870	40,928	6,086	10,160	205,790	53,843	102,681	52,789	-	52,706
Financial assets held at fair value through profit or loss	10	28,320,313	25,714,902	15,794,147	15,836,798	87,984	12,011,769	27,710,407	24,783,975	108,725,613	111,048,018
<b>Total assets</b>		<b>28,380,322</b>	<b>25,756,378</b>	<b>15,836,639</b>	<b>15,847,033</b>	<b>26,368,999</b>	<b>34,550,295</b>	<b>28,975,392</b>	<b>24,840,377</b>	<b>111,049,205</b>	<b>111,997,204</b>
<b>Liabilities</b>											
Distribution payable	12	76,885	186,932	260,750	-	192,181	31,388	1,318,562	963,971	4,150,498	49,129
Accounts payable	11	135,218	111,982	101,063	80,287	46,798	114,012	222,122	147,849	640,176	556,253
Financial liabilities held at fair value through profit or loss		-	-	-	-	734	1,090	-	-	48,738	78,824
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>212,103</b>	<b>298,914</b>	<b>361,813</b>	<b>80,287</b>	<b>239,713</b>	<b>146,490</b>	<b>1,540,684</b>	<b>1,111,820</b>	<b>4,839,412</b>	<b>684,206</b>
<b>Net assets attributable to unitholders (liability)</b>	6	<b>28,168,219</b>	<b>25,457,464</b>	<b>15,474,826</b>	<b>15,766,746</b>	<b>26,129,286</b>	<b>34,403,805</b>	<b>27,434,708</b>	<b>23,728,557</b>	<b>106,209,793</b>	<b>111,312,998</b>

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

**MACQUARIE INVESTMENT FUNDS**

**Balance Sheets  
as at 30 June 2007**

Note	Macquarie Income Advantage Fund		Macquarie Managed Growth Fund		Macquarie Small Companies Growth Trust		Macquarie Leaders Imputation Trust		Macquarie Balanced Fund No. 1	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>										
Cash	129,483	148,417	205,653	75,610	1,243,985	5,362	313,900	-	73,588	390
Receivables	84,184	93,254	25,126	-	361,753	159,636	43,549	40,656	10,075	9,458
Financial assets held at fair value through profit or loss	35,467,817	44,739,949	19,475,212	20,039,929	103,599,282	38,514,217	19,176,145	17,393,938	12,362,667	12,631,049
<b>Total assets</b>	<b>35,681,484</b>	<b>44,981,620</b>	<b>19,705,991</b>	<b>20,115,539</b>	<b>105,205,020</b>	<b>38,879,215</b>	<b>19,533,594</b>	<b>17,434,584</b>	<b>12,446,330</b>	<b>12,640,897</b>
<b>Liabilities</b>										
Bank overdraft	-	-	-	-	-	-	-	940	-	-
Distribution payable	1,207,563	59,519	562,978	5,837	1,262,154	1,290,965	319,633	289,497	296,939	2,476
Accounts payable	277,364	308,239	118,801	113,606	1,288,876	587,935	118,609	103,658	21,953	21,299
Financial liabilities held at fair value through profit or loss	8,305	31,088	7,250	21,365	-	-	-	-	-	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>1,493,252</b>	<b>398,846</b>	<b>689,029</b>	<b>140,808</b>	<b>2,551,030</b>	<b>1,878,900</b>	<b>438,242</b>	<b>394,095</b>	<b>318,892</b>	<b>23,775</b>
<b>Net assets attributable to unitholders (liability)</b>	<b>34,188,232</b>	<b>44,582,774</b>	<b>19,016,962</b>	<b>19,974,731</b>	<b>102,653,990</b>	<b>36,800,315</b>	<b>19,095,352</b>	<b>17,040,499</b>	<b>12,127,438</b>	<b>12,617,122</b>

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

**MACQUARIE INVESTMENT FUNDS**

**Statements of changes in equity  
for the year ended 30 June 2007**

	Macquarie Active Australian Equities Trust	Macquarie International Share Trust	Macquarie Gilt Edge Bond Trust	Macquarie Property Securities Trust	Macquarie Balanced Fund
	30 June 2006	30 June 2006	30 June 2006	30 June 2006	30 June 2006
Total equity at the beginning of the financial year	\$ 22,093,490	\$ 16,904,822	\$ 43,555,120	\$ 21,793,054	\$ 113,630,816
Adjustment on adoption of AASB132 and AASB139	-	(16,904,822)	(43,555,120)	(21,793,054)	(113,630,816)
Total equity at the beginning of the financial year (restated)	\$ -	\$ -	\$ -	\$ -	\$ -
Profit/(loss) for the year	-	-	-	-	-
Total recognised income and expense for the year	-	-	-	-	-
Transactions with equity holders in their capacity as unitholders	-	-	-	-	-
Distributions to equity holders	-	-	-	-	-
Total equity at the end of the financial year	\$ -	\$ -	\$ -	\$ -	\$ -

Total equity at the beginning of the financial year  
Adjustment on adoption of AASB132 and AASB139  
Total equity at the beginning of the financial year (restated)

Profit/(loss) for the year  
Total recognised income and expense for the year  
Transactions with equity holders in their capacity as unitholders  
Distributions to equity holders  
Total equity at the end of the financial year

	Macquarie Income Advantage Fund	Macquarie Managed Growth Fund	Macquarie Small Companies Growth Trust	Macquarie Leaders Imputation Trust	Macquarie Balanced Fund No. 1
	30 June 2006	30 June 2006	30 June 2006	30 June 2006	30 June 2006
Total equity at the beginning of the financial year	\$ 50,092,936	\$ 18,562,303	\$ 29,805,991	\$ 14,511,207	\$ 12,593,595
Adjustment on adoption of AASB132 and AASB139	-	(18,562,303)	(29,805,991)	(14,511,207)	(12,593,595)
Total equity at the beginning of the financial year (restated)	\$ -	\$ -	\$ -	\$ -	\$ -
Profit/(loss) for the year	-	-	-	-	-
Total recognised income and expense for the year	-	-	-	-	-
Transactions with equity holders in their capacity as unitholders	-	-	-	-	-
Distributions to equity holders	-	-	-	-	-
Total equity at the end of the financial year	\$ -	\$ -	\$ -	\$ -	\$ -

Total equity at the beginning of the financial year  
Adjustment on adoption of AASB132 and AASB139  
Total equity at the beginning of the financial year (restated)

Profit/(loss) for the year  
Total recognised income and expense for the year  
Transactions with equity holders in their capacity as unitholders  
Distributions to equity holders  
Total equity at the end of the financial year

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

**MACQUARIE INVESTMENT FUNDS**

**Cash flow statements  
for the year ended 30 June 2007**

Note	Macquarie Active Australian Equities Trust		Macquarie International Share Trust		Macquarie Gift Edge Bond Trust		Macquarie Property Securities Trust		Macquarie Balanced Fund	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	5,413,109	2,878,327	4,025,373	4,281,540	82,989,991	105,452,643	6,099,213	4,465,959	62,170,139	45,250,746
	(1,287,515)	(637,727)	(624,165)	(434,946)	(71,396,220)	(100,025,193)	(3,325,229)	(2,807,871)	(41,458,462)	(25,457,897)
	146,620	16,932	-	-	1,905,562	2,304,385	-	-	(32,129)	(11,185)
	(491,053)	(431,772)	(305,005)	(349,015)	770	17	190,570	24,132	462,844	313,107
	(1,827)	(16,388)	(51)	(13,035)	(744)	(2,013)	(686)	(503,642)	(2,158,601)	(2,350,571)
	<b>3,779,334</b>	<b>1,809,372</b>	<b>3,096,152</b>	<b>3,484,544</b>	<b>12,967,854</b>	<b>7,073,687</b>	<b>2,342,214</b>	<b>1,178,714</b>	<b>18,978,095</b>	<b>16,725,608</b>
16(a)										
	3,078,001	772,368	1,926,457	654,612	783,215	982,454	4,882,290	3,299,564	45,899,969	34,440,926
	(5,313,098)	(2,340,927)	(4,981,057)	(4,078,872)	(9,768,895)	(10,499,261)	(4,820,601)	(3,273,465)	(62,522,815)	(49,030,108)
	(1,493,550)	(233,088)	-	(47,865)	(387,507)	(736,309)	(1,234,843)	(1,152,953)	(776,650)	(1,705,942)
	(9,096)	(7,222)	(5,221)	(12,424)	(4,125)	(13,579)	(10,369)	(48,701)	(37,692)	(48,145)
	<b>(3,737,743)</b>	<b>(1,808,869)</b>	<b>(3,059,821)</b>	<b>(3,484,569)</b>	<b>(9,377,312)</b>	<b>(10,266,695)</b>	<b>(1,183,523)</b>	<b>(1,175,555)</b>	<b>(17,437,186)</b>	<b>(16,343,169)</b>
	41,591	503	36,331	(25)	3,590,542	(3,193,008)	1,158,691	3,159	1,540,907	382,439
	548	45	75	100	22,484,683	25,677,691	3,613	454	895,480	475,222
	-	-	-	-	-	-	-	-	(113,795)	38,819
	<b>42,139</b>	<b>548</b>	<b>36,406</b>	<b>75</b>	<b>26,075,225</b>	<b>22,484,683</b>	<b>1,162,304</b>	<b>3,613</b>	<b>2,323,592</b>	<b>895,480</b>
16(b)										
	3,426,042	804,438	637,702	-	496,744	550,762	1,816,752	1,361,505	10,584,999	2,883,642

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



## MACQUARIE INVESTMENT FUNDS

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

#### 1 General information

This financial report covers the following Trusts (collectively referred to as 'the Trusts' throughout the financial statements):

Trust Name	Date of Constitution
Macquarie Active Australian Equities Trust	13 January 2000
Macquarie International Share Trust (formerly Macquarie Lazard International Share Trust)	13 January 2000
Macquarie Gilt Edge Bond Trust	5 May 1999
Macquarie Property Securities Trust	12 November 1998
Macquarie Balanced Fund	8 October 1999
Macquarie Balanced Fund No. 1	8 September 1999
Macquarie Income Advantage Fund	8 October 1999
Macquarie Managed Growth Fund	8 October 1999
Macquarie Small Companies Growth Trust	3 April 2000
Macquarie Leaders Imputation Trust	3 April 2000

The responsible entity of the Trusts is MIML ("Macquarie Investment Management Limited"). The responsible entity's registered office is Level 7, 1 Martin Place, Sydney NSW 2000.

During the year, the Trusts continued to invest funds in accordance with target asset allocations as set out in the current offer documents, and in accordance with the provisions of the Trusts Constitutions.

The financial statements were authorised for issue by the directors on 13 August 2007.

#### 2 Summary of significant accounting policies

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

##### (a) Basis of preparation

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

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

##### *Compliance with International Financial Reporting Standards (IFRS)*

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

##### (b) Financial instruments

###### (i) Classification

The investments of the Trusts are categorised as at fair value through profit or loss category, which is comprised of:

- Financial instruments held for trading

These include derivative financial instruments including futures. All derivatives in a net receivable or payable position are shown gross and reported as either derivative financial assets or derivative financial liabilities. The Trusts do not designate any derivatives as hedges in a hedging relationship.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold, and are investments in unlisted trusts and exchange traded debt instruments.

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 Trusts.

#### (ii) *Recognition / derecognition*

The Trusts recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cashflows from the investments have expired or the Trusts have transferred substantially all risks and rewards of ownership.

#### (iii) *Measurement*

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

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

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- Fair value in an inactive or unquoted market

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

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

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

## **2 Summary of significant accounting policies (continued)**

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

### **(d) Cash and cash equivalents**

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

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

### **(e) Investment income**

Interest income and expense are recognised in the income statement for all debt instruments using the effective interest method.

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 and points paid or received between the parties to the contract that are an integral part of the effective interest rate, 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 the income statement on an accruals basis.

### **(g) Income tax**

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

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 Trusts are not subject to capital gains tax.

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

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

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

## **2 Summary of significant accounting policies (continued)**

### **(h) Distributions**

In accordance with the Trust Constitutions, the Trusts fully distribute their distributable (taxable) income to unitholders by cash or reinvestment. The distributions are recognised in the income statement as finance costs attributable to unitholders.

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

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

### **(j) Foreign currency translation**

#### ***i) Functional and presentation currency***

Items included in the financial statements of the Trusts are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Trusts compete for funds and is regulated. The Australian dollar is also the presentation currency of the Trusts.

#### ***ii) Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

The Trust does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

### **(k) Due from/to brokers**

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year.

### **(l) Receivables**

Receivables may include amounts for interest and securities sold where settlement has not yet occurred. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

### **(m) Payables**

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

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

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

### **(n) Applications and redemptions**

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

### **(o) Goods and Services Tax (GST)**

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

## 2 Summary of significant accounting policies (continued)

### (p) Use of estimates

The Trusts make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Trusts' financial instruments quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the responsible entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### (q) New accounting standards and interpretations

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

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

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

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

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

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

AASB 8 and AASB 2007 - 3 are applicable to annual reporting periods beginning on or after 1 January 2009. The Trusts have not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but will affect the segment disclosures provided in Note 17.

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

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

### (r) Segment reporting

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





3. Interest Income (continued)

	Macquarie Small Companies Growth Trust			Macquarie Leaders Imputation Trust			
	Average balance \$	Year ended 30 June 2007 Interest \$	Average rate %	Average rate %	Average balance \$	Year ended 30 June 2006 Interest \$	Average rate %
Cash	111	7	6.14	6.14	2,079,800	114,389	5.50
Discount securities	-	-	-	-	-	-	-
Fixed interest securities	-	-	-	-	-	-	-
		<u>7</u>				<u>114,389</u>	
						<u>64</u>	
						<u>285</u>	
						<u>114,389</u>	

This table shows the average balance for each of the major categories of interest-bearing assets, the amount of interest revenue and the average interest rate. The average balances are calculated using daily balances.

#### 4 Auditor's remuneration

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

	Year ended	
	30 June 2007	30 June 2006
	\$	\$
Audit services - PricewaterhouseCoopers Australian Firm		
Audit and review of financial reports:		
Macquarie Active Australian Equities Trust	3,220	2,954
Macquarie International Share Trust	3,220	2,954
Macquarie Gilt Edge Bond Trust	7,453	6,838
Macquarie Property Securities Trust	3,220	2,954
Macquarie Balanced Fund	3,220	2,954
Macquarie Balanced Fund No. 1	3,220	2,954
Macquarie Income Advantage Fund	3,220	2,954
Macquarie Managed Growth Fund	3,220	2,954
Macquarie Small Companies Growth Trust	3,220	2,954
Macquarie Leaders Imputation Trust	3,220	2,954
Other:		
Macquarie Active Australian Equities Trust	465	425
Macquarie International Share Trust	465	425
Macquarie Gilt Edge Bond Trust	465	425
Macquarie Property Securities Trust	465	425
Macquarie Balanced Fund	465	425
Macquarie Balanced Fund No. 1	465	425
Macquarie Income Advantage Fund	465	425
Macquarie Managed Growth Fund	465	425
Macquarie Small Companies Growth Trust	465	425
Macquarie Leaders Imputation Trust	465	425

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



6. **UNITHOLDERS' FUNDS**

(a) Movements in number of units and unitholders' funds 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.

	Macquarie Australian Active Equities Trust		Macquarie International Share Trust		Macquarie Gift Edge Bond Trust		Macquarie Property Securities Trust		Macquarie Balanced Fund No. 1	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
<b>Opening balance</b>	17,305,521	17,883,222	15,755,617	15,766,746	18,345,777	13,458,745	23,728,557	17,267,619	12,617,122	12,593,595
Applications	1,986,115	3,078,001	1,720,051	1,926,457	3,384,231	982,454	4,882,290	2,639,651	1,521,452	1,283,601
Redemptions	(3,405,632)	(5,313,098)	(4,569,472)	(4,981,057)	(3,389,809)	(10,499,261)	(4,820,601)	(2,650,697)	(3,160,863)	(2,550,610)
Units issued upon reinvestment of distributions	2,195,151	3,426,042	609,423	804,438	1,277,526	550,762	1,816,752	1,089,204	748,016	247,489
Expenses paid on behalf of unitholders	-	(15,191)	(225)	(12,857)	17,503	(225)	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	1,535,001	4,128,320	-	2,137,875	(13,973)	2,137,875	(5,232)	-	687,062	1,084,114
<b>Closing balance</b>	<b>18,080,955</b>	<b>28,168,219</b>	<b>17,305,521</b>	<b>25,457,464</b>	<b>19,617,725</b>	<b>34,403,805</b>	<b>27,434,708</b>	<b>18,345,777</b>	<b>12,127,438</b>	<b>11,585,333</b>
<b>Opening balance</b>	738,534	783,215	929,254	982,454	3,384,231	982,454	4,882,290	2,639,651	1,521,452	1,309,273
Applications	(9,188,146)	(9,768,895)	(10,499,261)	(10,499,261)	(3,389,809)	(10,499,261)	(4,820,601)	(2,650,697)	(3,160,863)	(2,550,610)
Units issued upon reinvestment of distributions	468,543	496,744	520,939	550,762	1,277,526	550,762	1,816,752	1,089,204	748,016	259,863
Management Fee Rebate	-	-	16,555	17,503	-	17,503	-	-	-	-
Expenses paid on behalf of unitholders	-	10,334	-	(13,973)	-	(13,973)	(5,232)	-	-	(31,123)
Increase/(decrease) in net assets attributable to unitholders	204,083	(204,083)	(188,800)	1,832,942	-	1,832,942	-	579,022	-	-
<b>Closing balance</b>	<b>24,654,820</b>	<b>26,129,286</b>	<b>32,635,889</b>	<b>34,403,805</b>	<b>19,617,725</b>	<b>34,403,805</b>	<b>27,434,708</b>	<b>18,345,777</b>	<b>23,728,557</b>	<b>23,728,557</b>
<b>Opening balance</b>	84,050,285	111,312,998	92,676,049	113,630,816	11,585,333	11,585,333	12,617,122	12,604,853	12,593,595	
Applications	34,428,132	45,899,969	26,761,998	34,440,926	1,521,452	1,743,584	1,283,601	1,309,273		
Redemptions	(46,239,457)	(62,522,815)	(37,436,852)	(49,030,108)	(3,160,863)	(3,668,346)	(2,550,610)	(2,629,723)		
Units issued upon reinvestment of distributions	7,939,477	10,584,999	2,049,090	2,683,642	652,620	748,016	247,489	259,863		
Expenses paid on behalf of unitholders	-	(32,750)	-	(31,937)	-	-	-	-		
Increase/(decrease) in net assets attributable to unitholders	967,392	967,392	967,392	687,062	1,084,114	1,084,114	1,084,114	1,084,114		
<b>Closing balance</b>	<b>80,178,437</b>	<b>106,209,793</b>	<b>84,050,285</b>	<b>111,312,998</b>	<b>10,598,542</b>	<b>12,127,438</b>	<b>11,585,333</b>	<b>12,617,122</b>		

6. UNITHOLDERS' FUNDS (continued)

	Macquarie Income Advantage Fund		Macquarie Managed Growth Fund	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
Opening balance	41,517,415	48,066,467	14,097,811	14,832,568
Applications	20,089,351	10,960,081	9,584,060	5,132,891
Redemptions	(30,805,281)	(18,418,971)	(12,204,571)	(6,214,533)
Units issued upon reinvestment of distributions	1,733,280	909,838	1,686,670	346,885
Management Fee Rebates	-	-	8,018	-
Expenses paid on behalf of unitholders	-	(5,587)	-	(12,314)
Increase/(decrease) in net assets attributable to unitholders	(478,138)	1,493,987	388,747	-
Closing balance	34,188,232	41,517,415	13,163,970	14,097,811
		44,582,774	19,016,962	19,974,731

	Macquarie Small Companies Growth Trust		Macquarie Leaders Imputation Trust	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
Opening balance	17,755,526	16,267,568	12,552,781	12,165,410
Applications	14,456,319	1,245,366	1,505,674	1,073,132
Redemptions	(3,659,006)	(2,345,910)	(2,603,090)	(1,514,986)
Units issued upon reinvestment of distributions	1,375,218	4,724,873	882,515	829,225
Expenses paid on behalf of unitholders	-	(180,253)	-	(4,743)
Increase/(decrease) in net assets attributable to unitholders	24,944,701	4,011,398	2,356,259	1,983,985
Closing balance	102,653,990	17,755,526	12,337,880	12,552,781
		36,800,315	19,095,352	17,040,499

6. UNITHOLDERS' FUNDS (continued)

(b) The following amounts are included in reserves which form part of the Trusts' unitholders' funds:

	<b>Macquarie Active Australian Equities Trust</b>	<b>Macquarie International Share Trust</b>	<b>Macquarie Gilt Edge Bond Trust</b>	<b>Macquarie Property Securities Trust</b>
	30 June 2007	30 June 2007	30 June 2007	30 June 2007
Unrealised taxable capital gains/(losses)	\$ 7,313,084	\$ 4,092,332	\$ -	\$ 6,006,636
Realised capital losses	5,821,784	2,943,335	-	4,134,984
	(12,036,984)	(12,854,650)	-	-
	<b>Macquarie Balanced Fund</b>	<b>Macquarie Balanced Fund No. 1</b>	<b>Macquarie Income Advantage Fund</b>	<b>Macquarie Managed Growth Fund</b>
	30 June 2007	30 June 2007	30 June 2007	30 June 2007
Unrealised taxable capital gains/(losses)	\$ 11,762,760	\$ 728,529	\$ 589,601	\$ 3,353,135
Realised capital losses	11,166,469	883,305	1,883,964	3,020,985
	(101,775)	(834,615)	(805,950)	(94,055)
	<b>Macquarie Small Companies Growth Trust</b>	<b>Macquarie Leaders Imputation Trust</b>		
	30 June 2007	30 June 2007		
Unrealised taxable capital gains/(losses)	\$ 39,697,941	\$ 5,143,605		
Realised capital losses	14,838,687	2,844,448		

Any unrealised taxable capital gains, if realised, and after any offset of realised capital losses, would be assessable.

Any realised capital losses are available to offset against future assessable capital gains.





7. Distributions to unitholders (Continued)

	Macquarie Property Securities Trust			
	30 June 2007	30 June 2007	30 June 2006	30 June 2006
	\$	CPU	\$	CPU
<b>Timing of distributions</b>				
<b>Entry Fee option</b>				
September	49,785	0.60	80,515	1.01
December	26,479	0.31	85,800	1.03
March	205,204	2.37	262,682	3.12
June	1,333,983	14.87	913,654	11.16
	<b>1,615,451</b>	<b>18.15</b>	<b>1,342,651</b>	<b>16.32</b>
<b>Nil entry fee option</b>				
September	46,926	0.48	77,835	0.88
December	20,568	0.20	85,025	0.92
March	217,734	2.18	266,299	2.87
June	1,532,567	16.04	1,012,066	10.77
	<b>1,817,795</b>	<b>18.90</b>	<b>1,441,225</b>	<b>15.44</b>
<b>TOTAL</b>	<b>3,433,246</b>		<b>2,783,876</b>	

8. Cash and cash equivalents

	Macquarie Active Australian Equities Trust	Macquarie International Share Trust	Macquarie Gilt Edge Bond Trust	Macquarie Property Securities Trust	Macquarie Balanced Fund
Cash	42,139	36,406	75	1,162,304	1,647,507
Discount securities	-	-	29,963	-	-
Deposits at Call	-	-	20,672,831	-	676,085
	-	-	5,372,431	-	-
	42,139	36,406	22,484,683	3,613	2,323,592
	548	75	26,075,225	3,613	896,480

	Macquarie Balanced Fund No. 1	Macquarie Income Advantage Fund	Macquarie Managed Growth Fund	Macquarie Small Companies Growth Trust	Macquarie Leaders Imputation Trust
Cash	73,588	390	10,136	1,243,985	313,900
Deposits at Call	-	-	93,409	-	-
	-	119,347	112,244	-	-
	-	123,280	75,380	-	-
	73,588	148,417	75,610	5,362	313,900
	390	129,483	205,653	5,362	896,480

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

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

	Macquarie Active Australian Equities Trust	Macquarie International Share Trust	Macquarie Gilt Edge Bond Trust	Macquarie Property Securities Trust	Macquarie Balanced Fund
Balances as above	42,139	36,406	75	1,162,304	896,480
Bank overdrafts	-	-	-	-	-
Balances per cash flow statements	42,139	36,406	75	1,162,304	2,323,592
	548	75	26,075,225	3,613	896,480

	Macquarie Balanced Fund No. 1	Macquarie Income Advantage Fund	Macquarie Managed Growth Fund	Macquarie Small Companies Growth Trust	Macquarie Leaders Imputation Trust
Balances as above	73,588	390	148,417	1,243,985	313,900
Bank overdrafts	-	-	-	-	(940)
Balances per cash flow statements	73,588	129,483	148,417	1,243,985	313,900
	390	129,483	205,653	5,362	896,480

(b) Cash at bank and on hand

These accounts are non-interest bearing.

(c) Deposits at call

The deposits bear a floating interest rate of between 5.75 and 6.25% (2006: 5.50%).



**MACQUARIE INVESTMENT FUNDS**

**10 Financial assets held at fair value through profit or loss**

	Macquarie Active Australian Equities Trust		Macquarie International Share Trust		Macquarie Gilt Edge Bond Trust		Macquarie Property Securities Trust		Macquarie Balanced Fund	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Held for trading</b>										
Derivatives (note 13)	-	-	-	-	-	-	-	-	40,780	246,055
Total Held for trading	-	-	-	-	-	-	-	-	40,780	246,055
<b>Designated at fair value through profit or loss</b>										
Fixed interest securities										
Unlisted unit trusts	28,320,313	25,714,902	15,794,147	15,836,798	87,984	12,011,769	27,710,407	24,783,975	108,684,833	110,801,963
Total Designated as fair value through profit or loss	28,320,313	25,714,902	15,794,147	15,836,798	87,984	12,011,769	27,710,407	24,783,975	108,684,833	110,801,963
<b>Total financial assets held at fair value through profit or loss</b>	<b>28,320,313</b>	<b>25,714,902</b>	<b>15,794,147</b>	<b>15,836,798</b>	<b>87,984</b>	<b>12,011,769</b>	<b>27,710,407</b>	<b>24,783,975</b>	<b>108,725,613</b>	<b>111,048,018</b>
<b>Fixed interest securities</b>										
Australian fixed interest securities	-	-	-	-	87,984	12,011,769	-	-	-	-
Total Fixed interest securities	-	-	-	-	87,984	12,011,769	-	-	-	-
<b>Derivatives</b>										
Bond futures	-	-	-	-	-	-	-	-	2,148	-
Australian share price index futures	-	-	-	-	-	-	-	-	-	92,400
International share price index futures	-	-	-	-	-	-	-	-	98,632	153,655
Total Derivatives	-	-	-	-	-	-	-	-	40,780	246,055
<b>Unlisted unit trusts</b>										
Units in Australian fixed interest trusts	-	-	-	-	-	-	-	-	21,866,348	23,912,103
Units in International fixed interest trusts	-	-	-	-	-	-	-	-	11,405,697	12,320,920
Units in International property trusts	-	-	-	-	-	-	-	-	5,458,097	-
Units in Australian property trusts	-	-	-	-	-	-	27,710,407	24,783,975	4,782,750	7,005,975
Units in Australian equity trusts	28,320,313	25,714,902	-	-	-	-	-	-	39,822,430	40,861,606
Units in International equity trusts	-	-	15,794,147	15,836,798	-	-	-	-	20,556,826	22,324,309
Units in money market trusts	-	-	-	-	-	-	-	-	4,792,685	4,377,050
Total Unlisted unit trusts	28,320,313	25,714,902	15,794,147	15,836,798	-	-	27,710,407	24,783,975	108,684,833	110,801,963
<b>Total financial assets held at fair value through profit or loss</b>	<b>28,320,313</b>	<b>25,714,902</b>	<b>15,794,147</b>	<b>15,836,798</b>	<b>87,984</b>	<b>12,011,769</b>	<b>27,710,407</b>	<b>24,783,975</b>	<b>108,725,613</b>	<b>111,048,018</b>

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

	Macquarie Balanced Fund No. 1		Macquarie Income Advantage Fund		Macquarie Managed Growth Fund		Macquarie Small Companies Growth Trust		Macquarie Leaders Imputation Trust	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Held for trading</b>										
Derivatives (note 13)	-	-	8,094	72,074	11,497	45,977	-	-	-	-
Total Held for trading	-	-	8,094	72,074	11,497	45,977	-	-	-	-
<b>Designated at fair value through profit or loss</b>										
Unlisted unit trusts	12,362,667	12,631,049	35,459,723	44,667,875	19,463,715	19,993,952	103,599,282	38,514,217	19,176,145	17,393,938
Total Designated as fair value through profit or loss	12,362,667	12,631,049	35,459,723	44,667,875	19,463,715	19,993,952	103,599,282	38,514,217	19,176,145	17,393,938
<b>Total financial assets held at fair value through profit or loss</b>	12,362,667	12,631,049	35,467,817	44,739,949	19,475,212	20,039,929	103,599,282	38,514,217	19,176,145	17,393,938
<b>Derivatives</b>										
Australian futures in respect of money market securities	-	-	-	-	-	-	-	-	-	-
Australian fixed interest futures	-	-	374	22,897	374	29,877	-	-	-	-
Bond Futures	-	-	-	-	11,123	16,100	-	-	-	-
Australian share price index futures	-	-	-	19,300	-	-	-	-	-	-
International share price index futures	-	-	7,720	29,877	-	-	-	-	-	-
Total Derivatives	-	-	8,094	72,074	11,497	45,977	-	-	-	-
<b>Unlisted unit trusts</b>										
Units in Australian balanced funds	12,362,667	12,631,049	-	-	-	-	-	-	-	-
Units in Australian fixed interest trusts	-	-	15,218,200	19,911,194	1,482,254	1,811,570	-	-	-	-
Units in International fixed interest trusts	-	-	3,908,528	4,929,046	1,023,781	1,100,185	-	-	-	-
Units in International property trusts	-	-	856,565	-	859,213	-	-	-	-	-
Units in Australian property trusts	-	-	708,543	1,414,697	851,450	1,254,724	-	-	-	-
Units in Australian equity trusts	-	-	3,494,825	4,573,035	9,937,985	10,370,719	103,599,282	38,514,217	19,176,145	17,393,938
Units in International equity trusts	-	-	3,239,920	4,619,135	4,595,156	5,053,312	-	-	-	-
Units in money market trusts	-	-	8,033,142	9,220,768	713,876	403,442	-	-	-	-
Total Unlisted unit trusts	12,362,667	12,631,049	35,459,723	44,667,875	19,463,715	19,993,952	103,599,282	38,514,217	19,176,145	17,393,938
<b>Total financial assets held at fair value through profit or loss</b>	12,362,667	12,631,049	35,467,817	44,739,949	19,475,212	20,039,929	103,599,282	38,514,217	19,176,145	17,393,938

**MACQUARIE INVESTMENT FUNDS**

**11 Financial liabilities held at fair value through profit or loss**

	Macquarie Active Australian Equities Trust	Macquarie International Share Trust	Macquarie Gift Edge Bond Trust	Macquarie Property Securities Trust	Macquarie Balanced Fund
	30 June 2007	30 June 2006	30 June 2007	30 June 2007	30 June 2006
Held for trading	-	-	-	-	-
Derivatives (note 13)	-	-	734	-	48,738
Total Held for trading	-	-	734	-	48,738
Total financial liabilities held at fair value through profit or loss	-	-	734	-	48,738
Derivatives	-	-	-	-	-
Australian fixed interest futures	-	-	734	-	-
Australian share price index futures	-	-	-	-	40,600
International share price index futures	-	-	-	-	8,138
Total Derivatives	-	-	734	-	48,738
Total financial liabilities held at fair value through profit or loss	-	-	734	-	48,738

	Macquarie Balanced Fund No. 1	Macquarie Income Advantage Fund	Macquarie Managed Growth Fund	Macquarie Small Companies Growth Trust	Macquarie Leaders Imputation Trust
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2006
Held for trading	-	-	-	-	-
Derivatives (note 13)	-	8,305	7,250	-	-
Total Held for trading	-	8,305	7,250	-	-
Total financial liabilities held at fair value through profit or loss	-	8,305	7,250	-	-
Derivatives	-	-	-	-	-
Australian share price index futures	-	7,250	7,250	-	-
International share price index futures	-	1,055	-	-	-
Total Derivatives	-	8,305	7,250	-	-
Total financial liabilities held at fair value through profit or loss	-	8,305	7,250	-	-

12. ACCOUNTS PAYABLE

	Macquarie Active Australian Equities Trust		Macquarie International Share Trust		Macquarie Gilt Edge Bond Trust		Macquarie Property Securities Trust		Macquarie Balanced Fund	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
Responsible entity fees payable	124,144	108,702	85,779	79,254	41,230	103,888	157,045	137,354	519,125	466,741
GST payable	-	3,280	15,284	1,033	5,568	10,124	65,077	-	51,667	81,997
Other	11,074	111,982	101,063	80,287	46,798	114,012	222,122	147,849	69,385	7,515
	<b>135,218</b>	<b>111,982</b>	<b>101,063</b>	<b>80,287</b>	<b>46,798</b>	<b>114,012</b>	<b>222,122</b>	<b>147,849</b>	<b>640,176</b>	<b>556,253</b>

	Macquarie Balanced Fund No. 1		Macquarie Income Advantage Fund		Macquarie Managed Growth Fund		Macquarie Small Companies Growth Trust		Macquarie Leaders Imputation Trust	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
Responsible entity fees payable	21,953	21,292	271,771	307,315	91,905	85,754	1,044,359	546,622	106,215	95,913
GST payable	-	-	-	-	-	13,028	-	-	-	-
Other	-	7	5,593	924	26,896	14,824	244,517	41,313	12,394	7,745
	<b>21,953</b>	<b>21,299</b>	<b>277,364</b>	<b>308,239</b>	<b>118,801</b>	<b>113,606</b>	<b>1,288,876</b>	<b>587,935</b>	<b>118,609</b>	<b>103,658</b>

### **13 Derivative financial instruments**

In the normal course of business, the Trusts enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as futures. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Trusts' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect assets or liabilities of the Trusts against fluctuations in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the market exceeds the underlying value of a Trust.

The Trusts hold the following derivative instruments:

#### **Futures**

The Trusts hold futures which are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are settled daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.



MACQUARIE INVESTMENT FUNDS

13 Derivative financial instruments (continued)

The Trusts' derivative financial instruments at year end are detailed below:

	Macquarie Balanced Fund No. 1		Macquarie Income Advantage Fund		Macquarie Managed Growth Fund		Macquarie Small Companies Growth Trust		Macquarie Leaders Imputation Trust	
	Contract/ notional	Assets \$	Contract/ notional	Assets \$	Contract/ notional	Assets \$	Contract/ notional	Assets \$	Contract/ notional	Assets \$
		Liabilities \$		Liabilities \$		Liabilities \$		Liabilities \$		Liabilities \$
<b>30 June 2007</b>										
<b>Buy</b>										
Australian fixed interest futures	-	-	(394,928)	374	-	-	-	-	-	-
Australian share price index futures	-	-	-	-	784,625	-	-	-	-	-
International fixed interest futures	-	-	(893,093)	7,720	321,500	-	-	-	-	-
International share price index futures	-	-	-	-	(384,947)	374	-	-	-	-
<b>Sell</b>										
Australian fixed interest futures	-	-	784,625	7,250	-	-	-	-	-	-
International fixed interest futures	-	-	-	-	(893,093)	7,720	-	-	-	-
International share price index futures	-	-	321,500	1,055	-	-	-	-	-	-
		8,094		8,305		11,497		7,250		-
<b>30 June 2006</b>										
<b>Buy</b>										
Australian share price index futures	-	-	871,800	19,300	472,500	16,100	-	-	-	-
Australian fixed interest futures	-	-	(2,438,768)	22,897	-	-	-	-	-	-
International fixed interest futures	-	-	441,173	29,877	-	-	-	-	-	-
International share price index futures	-	-	-	-	-	-	-	-	-	-
<b>Sell</b>										
Australian fixed interest futures	-	-	6,637,691	15,323	-	-	-	-	-	-
International fixed interest futures	-	-	(430,513)	15,765	-	-	-	-	-	-
International share price index futures	-	-	-	-	10,660	29,877	-	-	-	-
Bonds and bill futures	-	-	-	-	-	-	-	-	-	-
		72,074		31,088		45,977		21,385		-

## 14 Financial risk management

The Trusts are exposed to credit risk, interest rate risk, market price risk and liquidity and cash flow risk arising from the financial instruments they hold. The risk management policies employed by the Trusts to manage these risks are discussed below.

### (a) Credit risk

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

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

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

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

### (b) Foreign exchange risk

There is no significant direct foreign exchange risk in the Trusts. The underlying unit trust has significant foreign currency exposure, and uses hedging techniques in an attempt to reduce this risk.

### (c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk disclosures have been prepared on the basis of the Trusts' direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosure of interest rate risk in the above note may not represent the true interest rate risk profile of the Trusts where the Trusts have significant investments in unit trusts which also have exposure to the interest rate markets.

Other than Macquarie Gilt Edge Bond Trust, no trust has a significant direct interest rate risk. Macquarie Gilt Edge Bond Trust's exposure to interest rate risk and the weighted average effective interest rate is set out in the following table:

30 June 2007	Weighted average interest rate (% pa)	Fixed interest rate					Non-interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	3 Months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<b>Assets</b>								
Cash and equivalents	6.00	5,402,394	20,672,831	-	-	-	-	26,075,225
Receivables		-	-	-	-	-	205,790	205,790
Financial assets held at fair value through profit or loss:								
Fixed interest securities	6.21	-	-	-	87,984	-	-	87,984
<b>Total assets</b>		<b>5,402,394</b>	<b>20,672,831</b>	<b>-</b>	<b>87,984</b>	<b>-</b>	<b>205,790</b>	<b>26,368,999</b>
<b>Liabilities</b>								
Account payable		-	-	-	-	-	46,798	46,798
Distribution payable		-	-	-	-	-	192,181	192,181
Financial liabilities held at fair value through profit or loss:								
		-	-	-	-	-	734	734
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,713</b>	<b>239,713</b>
<b>Net assets attributable to unitholders - liability</b>		<b>5,402,394</b>	<b>20,672,831</b>	<b>-</b>	<b>87,984</b>	<b>-</b>	<b>(33,923)</b>	<b>26,129,286</b>

30 June 2006	Weighted average interest rate (% pa)	Fixed interest rate					Non-interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	3 Months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<b>Assets</b>								
Cash and equivalents	5.50	4,639,591	17,845,092	-	-	-	-	22,484,683
Receivables		-	-	-	-	-	53,842	53,842
Financial assets held at fair value through profit or loss:								
Fixed interest securities	6.25	-	-	-	8,319,754	3,692,015	-	12,011,769
<b>Total assets</b>		<b>4,639,591</b>	<b>17,845,092</b>	<b>-</b>	<b>8,319,754</b>	<b>3,692,015</b>	<b>53,842</b>	<b>34,550,294</b>
<b>Liabilities</b>								
Account payable		-	-	-	-	-	114,012	114,012
Distribution payable		-	-	-	-	-	31,388	31,388
Financial liabilities held at fair value through profit or loss		-	-	-	-	-	1,090	1,090
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146,490</b>	<b>146,490</b>
<b>Net assets attributable to unitholders - liability</b>		<b>4,639,591</b>	<b>17,845,092</b>	<b>-</b>	<b>8,319,754</b>	<b>3,692,015</b>	<b>(92,647)</b>	<b>34,403,804</b>

#### (d) Market price risk

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

#### (e) Liquidity and cash flow risk

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

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

#### (f) Net fair values of financial assets and financial liabilities

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

## 15 Related party transactions

### Responsible entity

The responsible entity of the Trusts is MIML, a wholly owned subsidiary of Macquarie Bank Limited.

### Key management personnel

Key management personnel comprises the responsible entity, MIML.

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

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

No directors of the Trust are directors of the ultimate parent entity.

### Key management personnel unitholdings

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

### Key management personnel loan disclosures

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

### Responsible entity's fees and other transactions

Responsible entity's remuneration is calculated daily at the rate per annum and is paid quarterly.

	%
Macquarie Active Australian Equities Trust	1.80
Macquarie International Share Trust (formerly Macquarie Lazard International Share Trust)	1.98
Macquarie Gilt Edge Bond Trust	1.51
Macquarie Property Securities Trust*	
Macquarie Balanced Fund	1.93
Macquarie Balanced Fund No. 1	2.29
Macquarie Income Advantage Fund	1.74
Macquarie Managed Growth Fund	1.93
Macquarie Leaders Imputation Trust**	
Macquarie Small Companies Growth Trust***	

\* Investors have the option of two fee scales. The first is a nil entry fee option with an ongoing Responsible Entity fee of 2.27%. The second is a 3.00% entry fee option with an ongoing Responsible Entity fee of 1.91%.

\*\* Investors have the option of two fee scales. The first is a nil entry fee option with an ongoing Responsible Entity fee of 2.09%. The second is a 3.00% entry fee option with an ongoing Responsible Entity fee of 1.76%.

\*\*\* Investors have the option of two fee scales. The first is a nil entry fee option with an ongoing Responsible Entity fee of 2.27%. The second is a 3.00% entry fee option with an ongoing Responsible Entity fee of 1.91%. In addition, a performance fee of 10% of outperformance is calculated daily and charged quarterly, details of which can be found in the Product Disclosure Statement. The performance fee for the year was \$1,358,758 (2006: \$414,407).

## **15 Related party transactions (continued)**

### **Responsible entity's fees and other transactions (continued)**

All expenses in connection with the preparation of accounting records and the maintenance of the register have been fully borne by the responsible entity.

In addition to the responsible entity's fee, the responsible entity is entitled to be reimbursed out of the Trust for costs including expenses in connection with the keeping and preparation of accounting records and the maintenance of the register.

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

### 15 Related party transactions (continued)

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 Trusts and the responsible entity were as follows:

	Macquarie Active Australian Equities Trust 30 June 2007	Macquarie International Share Trust 30 June 2007	Macquarie Gilt Edge Bond Trust 30 June 2007	Macquarie Property Securities Trust 30 June 2007	Macquarie Balanced Fund 30 June 2007
Responsible entity fees for the year by the Trusts to the responsible entity	497,320	315,604	469,812	603,055	2,210,290
Fees earned by the responsible entity in respect of investments by the Trusts in other schemes managed by the responsible entity*	112,865	-	-	168,964	439,420
Entry and exit fees earned by the responsible entity, prior to the issuance of units or after the redemption of units	-	13,042	4,497	34,563	-
Aggregate amounts payable to the responsible entity at the reporting date	124,144	85,779	41,230	157,044	480,128
	Macquarie Balanced Fund No. 1 30 June 2007	Macquarie Income Advantage Fund 30 June 2007	Macquarie Managed Growth Fund 30 June 2007	Macquarie Small Companies Growth Trust 30 June 2007	Macquarie Leaders Imputation Trust 30 June 2007
Responsible entity fees for the year by the Trusts to the responsible entity	47,318	706,868	379,322	1,169,747	369,709
Fees earned by the responsible entity in respect of investments by the Trusts in other schemes managed by the responsible entity*	-	1,708	73,260	501,392	125,835
Entry and exit fees earned by the responsible entity, prior to the issuance of units or after the redemption of units	-	-	-	-	4,743
Aggregate amounts payable to the responsible entity at the reporting date	21,953	271,771	91,905	1,044,359	106,215
	Macquarie Active Australian Equities Trust 30 June 2006	Macquarie International Share Trust 30 June 2006	Macquarie Gilt Edge Bond Trust 30 June 2006	Macquarie Property Securities Trust 30 June 2006	Macquarie Balanced Fund 30 June 2006
Responsible entity fees for the year by the Trusts to the responsible entity	446,140	339,649	607,325	504,291	2,270,130
Fees earned by the responsible entity in respect of investments by the Trusts in other schemes managed by the responsible entity*	41,418	-	-	49,825	270,993
Entry and exit fees earned by the responsible entity, prior to the issuance of units or after the redemption of units	225	10,042	4,497	31,123	31,590
Aggregate amounts payable to the responsible entity at the reporting date	108,702	85,779	41,230	137,354	466,741
	Macquarie Balanced Fund No. 1 30 June 2006	Macquarie Income Advantage Fund 30 June 2006	Macquarie Managed Growth Fund 30 June 2006	Macquarie Small Companies Growth Trust 30 June 2006	Macquarie Leaders Imputation Trust 30 June 2006
Responsible entity fees for the year by the Trusts to the responsible entity	51,595	859,218	387,634	862,809	332,696
Fees earned by the responsible entity in respect of investments by the Trusts in other schemes managed by the responsible entity*	-	17,961	30,691	128,891	114,389
Entry and exit fees earned by the responsible entity, prior to the issuance of units or after the redemption of units	-	-	-	13,321	7,176
Aggregate amounts payable to the responsible entity at the reporting date	21,292	307,315	85,754	546,622	95,913

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



**15 Related party transactions (continued)**

**Investments**

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

**Macquarie Active Australian Equities Trust**

	Fair value of investment		Interest held		Distributions received/receivable	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
Macquarie Active Plus Equities Fund	\$ 28,320,313	\$ 25,714,902	8.34 %	7.79 %	\$ 4,867,898	\$ 3,510,821

**Macquarie International Share Trust**

	Fair value of investment		Interest held		Distributions received/receivable	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
Macquarie Lazard Global Equities Fund	\$ 15,794,147	\$ 15,836,798	9.96 %	10.46 %	\$ 1,391,797	\$ 168,528

**Macquarie Property Securities Trust**

	Fair value of investment		Interest held		Distributions received/receivable	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
Macquarie Property Securities Fund	\$ 27,710,407	\$ 24,783,975	3.55 %	3.63 %	\$ 3,740,077	\$ 3,006,804

15 Related party transactions (continued)

Macquarie Balanced Fund

Macquarie Balanced Fund No. 1

	Fair value of investment		Interest held		Distributions received/receivable		Fair value of investment		Interest held		Distributions received/receivable	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$	\$	%	%	\$	\$	\$	\$	%	%	\$	\$
Macquarie Australian Fixed Interest Fund	11,620,075	12,859,193	3.07	1.78	383,453	728,248	Macquarie Balanced Fund	12,362,667	11.65	11.30	1,740,773	452,979
Macquarie Australian Fixed Interest High Grade Fund	5,480,483	5,241,296	17.28	2.87	690,777	281,601						
Macquarie Lazard Global Equities Fund	20,556,826	19,896,131	14.13	13.14	1,910,038	205,557						
Macquarie Markets Share Trust	-	2,428,178	-	14.16	-	727,658						
Macquarie Global Bond Fund	8,589,143	9,412,984	2.43	2.68	816,751	382,415						
Macquarie Inflation Linked Bond Fund	4,765,750	5,811,614	8.29	9.79	524,552	433,561						
Macquarie Select Opportunities Trust	7,345,231	6,971,299	14.81	15.58	373,645	456,829						
Macquarie Active Plus Equities Fund	32,477,199	33,890,307	9.56	10.31	5,468,191	4,721,706						
Macquarie Property Securities Fund	4,782,750	7,005,975	0.61	1.03	732,605	838,163						
Macquarie Treasury Fund	4,792,685	4,377,050	0.16	0.15	154,642	290,933						
Ell Global Property Fund	5,458,097	-	7.69	-	503,019	-						
Macquarie Master Diversified Fixed Interest Fund	2,896,554	2,907,936	0.40	0.52	255,999	129,207						
	<u>108,684,833</u>	<u>110,801,963</u>			<u>11,813,672</u>	<u>9,195,878</u>						

15 Related party transactions (continued)

Macquarie Income Advantage Fund

	Fair value of investment		Interest held		Distributions received/receivable	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
	\$	\$	%	%	\$	\$
Macquarie Australian Fixed Interest Fund	6,374,859	9,330,113	1.69	1.29	224,020	571,008
Macquarie Treasury Fund	8,033,142	9,220,768	0.28	0.32	486,898	563,988
Macquarie Active Plus Equities Fund	3,494,825	4,573,035	1.19	1.39	596,004	648,249
Macquarie Diversified Treasury (A) Fund	3,565,283	4,624,599	0.16	0.24	234,230	291,058
Macquarie Lazard Global Equities Fund	3,239,920	4,095,721	2.23	2.69	310,692	44,082
Macquarie Global Bond Fund	3,098,730	3,799,496	0.88	1.08	297,025	174,443
Macquarie Australian Fixed Interest High Grade Fund	3,698,995	3,537,558	11.66	1.94	466,231	190,063
Macquarie Inflation Linked Bond Fund	1,559,063	2,418,924	2.71	4.07	179,214	188,884
Macquarie Master Diversified Fixed Interest Fund	809,798	1,129,550	0.11	0.20	77,045	49,243
Macquarie Property Securities Fund	708,543	1,414,697	0.09	0.21	123,915	174,256
Eil Global Property Fund	856,565	-	1.21	-	81,105	-
Macquarie Emerging Markets Share Trust	-	523,414	-	3.02	-	156,853
	<b>35,459,723</b>	<b>44,667,875</b>			<b>3,076,379</b>	<b>3,062,127</b>

15 Related party transactions (continued)

Macquarie Managed Growth Fund

Macquarie Leaders Imputation Trust

	Fair value of investment		Interest held		Distributions received/receivable		Fair value of investment		Interest held		Distributions received/receivable	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
Macquarie Active Plus Equities Fund	8,741,233	9,234,872	2.57	2.81	1,450,745.00	1,254,520	19,176,145	17,393,938	59.89	65.13	1,819,104	1,641,740
Macquarie Lazard Global Equities Fund	4,595,156	4,533,470	3.16	2.99	427,906.00	44,337						
Macquarie Select Opportunities Trust	1,196,752	1,135,852	2.41	2.53	60,876.00	74,432						
Macquarie Inflation Linked Bond Fund	850,329	1,012,457	1.48	1.71	84,594.00	75,546						
Macquarie Property Securities Fund	851,450	1,254,724	0.11	0.18	125,049.00	150,109						
Macquarie Global Bond Fund	573,782	744,678	0.16	0.21	55,066.00	30,253						
Macquarie Treasury Fund	713,876	403,437	0.02	0.06	25,736.00	51,395						
Macquarie Emerging Markets Share Trust	-	519,842	-	2.44	-	155,782						
Macquarie Australian Fixed Interest Fund	324,754	505,348	0.09	0.07	10,334.00	22,559						
Ell Global Property Fund	859,213	-	1.21	-	78,616.00	-						
Macquarie Diversified Fixed Interest Fund	449,999	355,507	0.06	0.16	39,864.00	14,201						
Macquarie Australian Fixed Interest High Grade Fund	307,171	293,765	0.97	0.16	38,715.00	15,783						
	<u>19,463,715</u>	<u>19,993,952</u>			<u>2,397,501</u>	<u>1,888,917</u>						

Macquarie Small Companies Growth Trust

	Fair value of investment		Interest held		Distributions received/receivable	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
Macquarie Small Companies Fund	103,599,282	38,514,217	32.31	54.79	6,221,207	6,986,124

No distributions receivable remain unpaid as at 30 June 2007 (2006: \$Nil).

Other transactions within the Scheme

For the year ended 30 June 2007, apart from those details disclosed in this note, no director has entered into a material contract with the Trusts since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.



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

	Macquarie Balanced Fund No. 1		Macquarie Income Advantage Fund		Macquarie Managed Growth Fund		Macquarie Small Companies Growth Trust		Macquarie Leaders Imputation Trust	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>										
Profit/(loss) for the year	687,062	1,084,114	(478,138)	1,493,987	388,747	2,376,923	24,944,701	4,011,398	2,356,259	1,993,995
Increase/(decrease) in net assets attributable to unitholders	(1,740,773)	(452,979)	(3,076,379)	(3,052,127)	(2,397,502)	(1,888,917)	(6,221,207)	(6,986,124)	(1,819,104)	(1,641,740)
Distributions reinvested	(118,470)	(1,087,029)	(667,459)	(1,080,533)	(1,395,972)	(1,438,014)	(26,822,798)	(4,485,452)	(2,536,455)	(2,015,381)
Net (gains)/losses on financial instruments held at fair value through profit or loss	1,124,836	404,245	3,612,571	1,839,873	3,094,351	587,391	6,071,582	6,311,801	1,755,265	1,444,802
Distributions to unitholders										
Proceeds from sale of financial instruments held at fair value through profit or loss	3,013,044	2,698,738	38,245,596	20,694,729	17,141,186	8,115,253	11,046,250	5,240,723	3,839,240	2,638,700
Loss (including net realised gains/(losses))	(891,184)	(1,137,057)	(25,272,774)	(10,888,807)	(12,775,506)	(6,207,589)	(43,053,933)	(2,031,342)	(1,262,915)	(1,374,836)
Purchase of financial instruments					8,018	11,171				
derivative financial instruments										
Responsible Entity fee rebate reinvested	190	59	9,759	(11,988)	(25,006)	3,540	(192,328)	(61,302)	(2,893)	(3,703)
Net change in accrued income and prepaid expenses	(152)	(558)	(35,937)	(14,628)	(11,734)	13,092	497,736	319,408	10,302	18,691
Net change in accounts payable and accrued liabilities										
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,074,553</b>	<b>1,509,533</b>	<b>12,337,239</b>	<b>8,980,306</b>	<b>4,026,582</b>	<b>1,572,850</b>	<b>(33,729,987)</b>	<b>2,319,110</b>	<b>2,339,699</b>	<b>1,060,528</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 plans	748,016	259,863	1,845,183	969,132	2,447,831	482,066	4,724,873	4,969,923	1,348,253	1,077,992

As described in note 2(i), non-distributable income is included in net assets attributable to unitholders. The change in this amount each period (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).

## 17 Segment information

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

The Trusts operate from Australia only (the geographical segment) but Macquarie Balanced Fund, Macquarie Managed Growth Fund and Macquarie Income Advantage Fund may have asset exposures in different countries and across different industries.

### Geographical exposure

#### Macquarie Balanced Fund

	30 June 2007 Total assets	Percentage of total assets	30 June 2006 Total assets	Percentage of total assets
	\$	%	\$	%
Country				
Australia	110,334,485	99.36	110,768,671	98.90
Other	714,720	0.64	1,228,533	1.10
Total	<b>111,049,205</b>	<b>100.00</b>	<b>111,997,204</b>	<b>100.00</b>

The above disclosures have been prepared on the basis of the Trust's direct investments and not on a look-through basis for investments held indirectly through unit trusts.

The above investments are classified on the balance sheet as at fair value through profit or loss.

#### Macquarie Managed Growth Fund

	30 June 2007 Total assets	Percentage of total assets	30 June 2006 Total assets	Percentage of total assets
	\$	%	\$	%
Country				
Australia	19,506,367	98.99	19,939,517	99.12
Other	199,624	1.01	176,022	0.88
Total	<b>19,705,991</b>	<b>100.00</b>	<b>20,115,539</b>	<b>100.00</b>

The above disclosures have been prepared on the basis of the Trust's direct investments and not on a look-through basis for investments held indirectly through unit trusts.

The above investments are classified on the balance sheet as at fair value through profit or loss.

#### Macquarie Income Advantage Fund

	30 June 2007 Total assets	Percentage of total assets	30 June 2006 Total assets	Percentage of total assets
	\$	%	\$	%
Country				
Australia	35,387,753	99.18	44,694,930	99.36
Other	293,731	0.82	286,690	0.64
Total	<b>35,681,484</b>	<b>100.00</b>	<b>44,981,620</b>	<b>100.00</b>

The above disclosure has been prepared on the basis of the Trusts' direct investments and not on a look-through basis for investments held indirectly through unit trusts.

The above investments are classified on the balance sheet as at fair value through profit or loss.

## 18 Events occurring after the balance sheet date

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

## 19 Contingent assets and liabilities and commitments

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

## Directors' declaration

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes set out on pages 2 to 45 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2007 and of its performance, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Trusts will be able to pay their debts as and when they become due and payable.

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



Bruce Terry  
Director

Sydney  
13 August 2007



Neil Roderick  
Director

Sydney  
13 August 2007

## Directors' Report

The directors of Macquarie Investment Management Limited (a wholly owned subsidiary of Macquarie Bank Limited), the responsible entity of:

### Trust Name

Macquarie Active Australian Equities Trust  
Macquarie International Share Trust  
(formerly Macquarie Lazard International Share Trust)  
Macquarie Gilt Edge Bond Trust  
Macquarie Property Securities Trust  
Macquarie Balanced Fund  
Macquarie Balanced Fund No. 1  
Macquarie Income Advantage Fund  
Macquarie Managed Growth Fund  
Macquarie Small Companies Growth Trust  
Macquarie Leaders Imputation Trust

present their report together with the financial report of the Trusts listed above (collectively known as 'the Trusts' throughout the Directors' Report), for the year ended 30 June 2007.

### Principal activities

The Trusts invest in unlisted unit trusts, fixed interest securities, and derivatives in accordance with the provisions of the Trust Constitutions.

The Trusts did not have any employees during the year.

There were no significant changes in the nature of the activities of the Trusts during the year.

### Directors

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

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

### Review and results of operations

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

