

Macquarie Co-Investment Fund

ARSN 113 983 574

Annual report - 30 June 2011

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This financial report covers Macquarie Co-Investment Fund as an individual entity.

The Responsible Entity of Macquarie Co-Investment Fund 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 Co-Investment Fund, present their report together with the financial report of Macquarie Co-Investment Fund ("the Trust") for the year ended 30 June 2011.

Principal activities

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

The Trust did not have any employees during the year.

There were no significant changes in the nature of the Trust's activities during the year.

Directors

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

B N Terry
 R Cartwright
 V Malley
 C Vignes
 C Swanger (resigned 21/06/2011)
 K Vincent (appointed 21/06/2011)
 T Graham

Review and results of operations

During the year, the Trust continued to be managed in accordance with the investment objective and strategy set out in the Trust's offer document and in accordance with the Trust's Constitution.

Results

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

	Year ended	
	30 June 2011	30 June 2010
Operating profit before finance costs attributable to unitholders (\$)	<u>83,546</u>	<u>3,429,811</u>
<i>Distributions</i>		
Distribution paid and payable (\$)	<u>3,199,308</u>	<u>180,000</u>
Distribution (cents per unit)	<u>38.17</u>	<u>2.15</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 2011 that has significantly affected, or may significantly affect:

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

Directors' report (continued)

Likely developments and expected results of operations

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

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Trust and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Trust.

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. Under the Trust Constitution, Macquarie Investment Management Limited as Responsible Entity of the Trust is entitled to be indemnified out of the assets of the Trust for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Trust.

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

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

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

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 9 of the financial statements.

Interests in the Trust

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

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

Environmental regulation

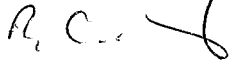
The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

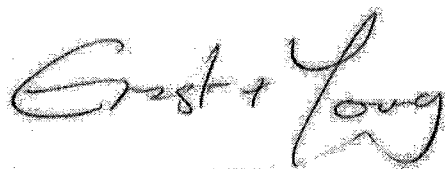
A handwritten signature in black ink, appearing to read 'R. Cartwright', with a long, sweeping flourish extending upwards and to the right.

R Cartwright
Director

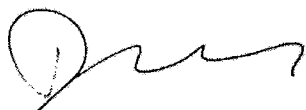
Sydney
28 September 2011

Auditor's Independence Declaration to the Directors of Macquarie Investment Management Limited, as the Responsible Entity for Macquarie Co-Investment Fund

In relation to our audit of the financial report of Macquarie Co-Investment Fund for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Darren Handley-Greaves'.

Darren Handley-Greaves
Partner
28 September 2011

Statement of comprehensive income

	Notes	30 June 2011 \$	30 June 2010 \$
Investment income			
Distribution income		3,738,898	2,500
Net (loss)/gain on financial instruments held at fair value through profit or loss	5	<u>(3,534,163)</u>	<u>3,567,136</u>
Total net investment income		<u>204,735</u>	<u>3,569,636</u>
Expenses			
Responsible Entity fees	9	117,980	139,671
Other operating expenses		<u>3,209</u>	<u>154</u>
Total operating expenses		<u>121,189</u>	<u>139,825</u>
Operating profit		<u>83,546</u>	<u>3,429,811</u>
Finance costs attributable to unitholders			
Distributions to unitholders		(3,199,308)	(180,000)
Decrease/(increase) in net assets attributable to unitholders	6	<u>3,115,762</u>	<u>(3,249,811)</u>
Profit/(loss) for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

Statement of financial position

	Notes	30 June 2011 \$	30 June 2010 \$
Assets			
Cash and cash equivalents	7	1,283	299
Receivables		1,596	-
Financial assets held at fair value through profit or loss	8	<u>7,766,431</u>	<u>10,989,855</u>
Total assets		<u>7,769,310</u>	<u>10,990,154</u>
Liabilities			
Payables		691	473
Responsible Entity fees payable	9	<u>32,463</u>	<u>137,763</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>33,154</u>	<u>138,236</u>
Net assets attributable to unitholders - liability	6	<u>7,736,156</u>	<u>10,851,918</u>

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

Statement of changes in equity

	30 June 2011 \$	30 June 2010 \$
Total equity at the beginning of the year	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the year	<u>-</u>	<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 2011 \$	30 June 2010 \$
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		6,993,230	394,899
Purchase of financial instruments held at fair value through profit or loss		(7,255,365)	(6,622)
Distributions received		3,690,180	2,500
Other income received		14,716	4,909
Responsible Entity fees paid		(239,262)	(35,844)
Payment of other expenses		(3,209)	(158)
Net cash inflow from operating activities	10(a)	<u>3,200,290</u>	<u>359,684</u>
Cash flows from financing activities			
Distributions paid		<u>(3,199,306)</u>	<u>(359,885)</u>
Net cash outflow from financing activities		<u>(3,199,306)</u>	<u>(359,885)</u>
Net increase/(decrease) in cash and cash equivalents		984	(201)
Cash and cash equivalents at the beginning of the year		<u>299</u>	<u>500</u>
Cash and cash equivalents at the end of the year	7	<u>1,283</u>	<u>299</u>

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

1 General information

This financial report covers Macquarie Co-Investment Fund ("the Trust") as an individual entity. The Trust was constituted on 11 May 2005. The Trust is a registered managed investment scheme domiciled in Australia.

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

The Trust is a closed-end fund whose investments are expected to be realised by 28 July 2015.

The financial statements were authorised for issue by the directors on 28 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial report.

2 Summary of significant accounting policies

The principal accounting policies 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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in the decreasing order of liquidity and do not distinguish between current and non current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

Compliance with International Financial Reporting Standards

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Financial instruments

(i) Classification

The Trust's investments are 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. These include 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(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.

(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.

Details on how the fair value of financial instruments is determined are disclosed in note 3.

• 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 statement of financial position 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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the statement of financial position date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the statement of financial position date. Fair values for unquoted equity investments are estimated, if possible, using applicable pricing/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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 method, less impairment losses if any. Such assets are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment.

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

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

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders

The Trust is a closed-end fund and is not subject to daily applications and redemptions. The fair value of 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 were able to exercise their right to put the units back to the Trust.

(d) Cash and cash equivalents

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

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

(e) Investment income

Trust distributions are recognised on an entitlements basis.

(f) Expenses

All expenses, including Responsible Entity fees, are recognised in the 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. 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.

2 Summary of significant accounting policies (continued)

(j) Receivables

Receivables may include amounts for trust distributions. Distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC).

(k) Payables

Payables 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.

(l) 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 RITC at a rate of at least 75% hence investment management fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(m) 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.

(n) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010 Amendment to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Trust has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Trust's financial statements as the Trust does not hold any available for sale investments.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011).

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The Trust will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Trust's financial statements.

2 Summary of significant accounting policies (continued)

(n) New accounting standards and interpretations (continued)

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

In November 2010, the AASB issued AASB 2010 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Trust's disclosures. The Trust intends to apply the amendment from 1 July 2011.

(iv) Amendments to AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011).

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Trust does not expect that any adjustments will be necessary as the result of applying the revised rules.

(v) IFRS 10 *Consolidated Financial Statements*

IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation-Special Purpose Entities*.

This standard is yet to be approved by the Australian Accounting Standards Board and has not been issued in Australia. The standard is not applicable until 1 January 2013 but is available for early adoption.

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

(vi) IFRS 12 *Disclosures of Interests in Other Entities*

IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

This standard is yet to be approved by the Australian Accounting Standards Board and has not been issued in Australia. The standard is not applicable until 1 January 2013 but is available for early adoption.

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

(vii) IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.

IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

This standard is yet to be approved by the Australian Accounting Standards Board and has not been issued in Australia. The standard is not applicable until 1 January 2013 but is available for early adoption.

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

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 ensuring compliance with the Trust's governing documents 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 Manager's risk management department under policies approved by 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 invests in financial instruments by taking positions in unlisted unit trusts.

All securities investments present a risk of loss of capital. The Investment Manager 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 Trust's overall market positions are monitored on a daily basis by the Trust's Investment Manager.

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

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

At 30 June 2011, the Trust's market risk is affected by changes in market prices. If the price of the underlying trust at 30 June 2011 had increased by 15% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately \$1,164,965 (2010: 15%: \$1,132,394). Conversely, if the price of the underlying trust at 30 June 2011 had decreased by 15% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately \$1,164,965 (2010: 15%: \$1,132,394).

(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 financial instruments, 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 amount 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.

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

The exposure to credit risk for cash and cash equivalents, deposits with banks and other financial institutions is low as all counterparties have a rating of at least A- (2010: A-) as determined by Standard and Poor's rating agency.

Other than for the cash and cash equivalents, the Trust does not have a concentration of a credit risk that arises from an exposure to a single counterparty. Furthermore, the Trust does not have a material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

3 Financial risk management (continued)

(c) Credit risk (continued)

In accordance with the Trust's policy, the Investment Manager's risk management department monitors the credit position of the underlying trusts on a daily basis. The Compliance Committee of the Responsible Entity reviews any identified exceptions to internal risk policies and procedures on a quarterly basis.

(d) Liquidity risk

The Trust is a closed-end fund and is not subject to daily applications and redemptions. Pursuant to the application to invest, each unitholder makes a commitment to meet all future instalment calls made on them over the life of the Trust, until the committed capital is drawn. Liquidity risk is mitigated by restricting redemptions from the Trust.

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

Apart from the net assets attributable to unitholders, all other liabilities are payable within 30 days.

(e) Fair value estimation

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

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

As at 30 June 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total balance \$
Financial assets designated at fair value through profit or loss at inception:				
- Unlisted unit trusts	-	285,581	7,480,850	7,766,431
Total	-	<u>285,581</u>	<u>7,480,850</u>	<u>7,766,431</u>

3 Financial risk management (continued)

(e) Fair value estimation (continued)

As at 30 June 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total balance \$
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
- Unlisted unit trusts	-	6,132	10,983,723	10,989,855
Total	-	6,132	10,983,723	10,989,855

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

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

	Unlisted unit trusts 30 June 2011 \$	Unlisted unit trusts 30 June 2010 \$
Opening balance	10,983,723	7,810,993
(Loss)/gain recognised in profit and loss	<u>(3,502,873)</u>	<u>3,172,730</u>
Closing balance	<u>7,480,850</u>	<u>10,983,723</u>

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

4 Auditor's remuneration

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

	30 June 2011 \$	30 June 2010 \$
Audit services		
Audit of financial reports	3,700	3,570
Other audit work under the <i>Corporations Act 2001</i>	<u>310</u>	<u>290</u>
Total remuneration for audit services	<u>4,010</u>	<u>3,860</u>

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

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

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

	30 June 2011 \$	30 June 2010 \$
Net (loss)/gain on financial instruments designated as at fair value through profit or loss	<u>(3,534,163)</u>	<u>3,567,136</u>
Net (loss)/gain on financial instruments held at fair value through profit or loss	<u>(3,534,163)</u>	<u>3,567,136</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 2011 No.	30 June 2010 No.	30 June 2011 \$	30 June 2010 \$
Opening balance	8,382,859	8,382,859	10,851,918	7,602,107
(Decrease)/increase in net assets attributable to unitholders	-	-	<u>(3,115,762)</u>	<u>3,249,811</u>
Closing balance	<u>8,382,859</u>	<u>8,382,859</u>	<u>7,736,156</u>	<u>10,851,918</u>

Capital risk management

The Trust is a closed-end fund and is not subject to daily applications and redemptions. Investment in the Trust is made in instalments. Pursuant to the application to invest, each unitholder makes a commitment to meet all future instalment calls made on them over the life of the Trust, until the committed capital is drawn. The committed capital is converted into units by dividing it by the application price applicable on the day that the application is accepted. Generally, units are non-transferable and non-redeemable. Procedures relating to transfer requests are disclosed in the Trust Constitution.

The Manager commits to underlying investments, based on the committed capital in the Trust. Instalments from the unitholder are payable at the Manager's request but will usually coincide with the Trust's obligation to meet calls by the underlying investment managers. All investors must be paid up to the same proportion at any given time.

7 Cash and cash equivalents

	30 June 2011 \$	30 June 2010 \$
Cash at bank	<u>1,283</u>	<u>299</u>

8 Financial assets held at fair value through profit or loss

	30 June 2011 Fair value \$	30 June 2010 Fair value \$
Designated at fair value through profit or loss		
Unlisted unit trusts	<u>7,766,431</u>	<u>10,989,855</u>
Total designated at fair value through profit or loss	<u>7,766,431</u>	<u>10,989,855</u>
 Total financial assets held at fair value through profit or loss	 <u>7,766,431</u>	 <u>10,989,855</u>
	 30 June 2011 Fair value \$	 30 June 2010 Fair value \$
Comprising:		
Unlisted unit trusts		
Units in unlisted money market trusts	-	6,132
Units in Australian unlisted trusts	285,581	-
Units in unlisted private equity trusts	<u>7,480,850</u>	<u>10,983,723</u>
Total unlisted unit trusts	<u>7,766,431</u>	<u>10,989,855</u>
 Total financial assets held at fair value through profit or loss	 <u>7,766,431</u>	 <u>10,989,855</u>

9 Related party disclosures

(a) Responsible Entity

The Responsible Entity of Macquarie Co-Investment Fund is Macquarie Investment Management Limited (MIML), a wholly owned subsidiary of Macquarie Group Limited.

(b) 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
R Cartwright
V Malley
C Vignes
C Swanger (resigned 21/06/2011)
K Vincent (appointed 21/06/2011)
T Graham

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

(c) Key management personnel unitholdings

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

(d) Key management personnel loan disclosures

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

9 Related party disclosures (continued)

(e) Responsible Entity's fees and other transactions

For the year ended 30 June 2011, in accordance with the Trust Constitution, the Responsible Entity received a total fee of 1.65% (inclusive of GST, net of RITC available to the Trust) per annum (2010: 1.65%).

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 2011	30 June 2010
	\$	\$
Management fees for the year paid by the Trust to the Responsible Entity	<u>117,980</u>	<u>139,671</u>
Aggregate amounts payable to the Responsible Entity at the reporting date	<u>32,463</u>	<u>137,763</u>

(f) Related party schemes' unitholdings

Parties related to the Trust (including MIML, its related parties and other schemes managed by MIML), held no units in the Trust (2010: Nil).

(g) 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	
	2011	2010	2011	2010	2011	2010
	\$	\$	%	%	\$	\$
Macquarie Wholesale Co-Investment Fund	7,480,850	10,983,723	10.48	10.48	3,690,180	-
Macquarie Treasury Fund	-	6,132	-	-	3,664	2,500
Macquarie True Index Cash Fund	<u>285,581</u>	<u>-</u>	<u>0.06</u>	<u>-</u>	<u>45,054</u>	<u>-</u>
Total	<u>7,766,431</u>	<u>10,989,855</u>	<u>10.54</u>	<u>10.48</u>	<u>3,738,898</u>	<u>2,500</u>

No distributions receivable remain unpaid as at 30 June 2011 (2010: \$Nil).

(h) Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel 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 may be held with Macquarie Bank Limited. The Trust may use Macquarie Securities (Australia) Limited and Macquarie Bank Limited (both Macquarie Group entities), for broking and clearing services. 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.

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

	30 June 2011 \$	30 June 2010 \$
(a) Reconciliation of profit/(loss) to net cash inflow from operating activities		
Profit/(loss) for the year	-	-
(Decrease)/increase in net assets attributable to unitholders	(3,115,762)	3,249,811
Distribution income reinvested	(48,718)	(2,500)
Net loss/(gain) on financial instruments held at fair value through profit or loss	3,534,163	(3,567,136)
Proceeds from sale of financial instruments held at fair value through profit or loss	6,993,230	394,899
Purchase of financial instruments held at fair value through profit or loss	(7,255,365)	(4,122)
Distributions to unitholders	3,199,308	180,000
Net change in receivables and other assets	(1,957)	4,904
Net change in payables and other liabilities	(104,609)	<u>103,828</u>
Net cash inflow from operating activities	<u>3,200,290</u>	<u>359,684</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).

11 Events occurring after the year end

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

12 Contingent assets, liabilities and commitments

There are no other outstanding contingent assets, liabilities or commitments as at 30 June 2011 and 30 June 2010.

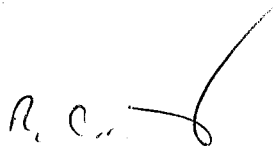
Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The directors declare that the notes to the financial statements include an explicit and unreserved statement of compliance with the International Financial Reporting Standards (see note 2(a)).

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



R Cartwright
Director

Sydney
28 September 2011

Independent auditor's report to the unitholders of Macquarie Co- Investment Fund

We have audited the accompanying financial report of Macquarie Co-Investment Fund (the "fund"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of Macquarie Investment Management Limited, the responsible entity of the fund, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

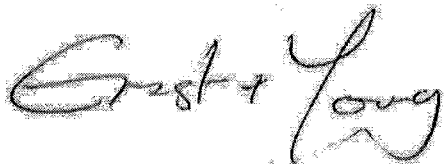
Independence

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

Opinion

In our opinion:

- a. the financial report of Macquarie Co-Investment Fund is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the fund's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.



Ernst & Young



Darren Handley-Greaves
Partner
Sydney
28 September 2011