

MACQUARIE EUCALYPT PROJECT

ARSN 104 113 288

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010



MACQUARIE

MACQUARIE EUCALYPT PROJECT

Annual Report

for the year ended 30 June 2010

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This annual financial report covers the Macquarie Eucalypt Project as an individual entity.

Responsible Entity:

Macquarie Alternative Assets Management Limited
ABN 30 103 237 181
No.1, Martin Place,
Sydney,
New South Wales, 2000
AUSTRALIA

Neither the Responsible Entity, nor any member of the Macquarie Group, guarantees the performance of the Macquarie Eucalypt Project, the repayments of capital or the payment of a particular rate of return on the interests issued.

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

MACQUARIE EUCALYPT PROJECT

Directors' Report

30 June 2010

The Directors of Macquarie Alternative Assets Management Limited (a wholly owned subsidiary of Macquarie Group Limited), the Responsible Entity of the Macquarie Eucalypt Project ("the Scheme"), present their report together with the financial report of the Scheme for the financial year ended 30 June 2010.

Principal activities

The principal activity of the Scheme is to act as a vehicle through which interest holders of the Scheme undertake a forestry plantation business as a common enterprise.

The Scheme did not have any employees during the financial year.

There were no significant changes in the nature of the Scheme's activity during the financial year.

Directors

The following persons have held office as Directors of Macquarie Alternative Assets Management Limited ("the Responsible Entity") during the whole of the financial year until the date of this report:

Anthony John Abraham
Peter Bruce Lucas
Simone Alison Mosse

Review and results of operations

The Scheme was registered on 31 March 2003 and began operations on 30 June 2003 when 1,067 interests were issued to interest holders for \$Nil consideration.

Interest holders in the Scheme are establishing and participating in their own forestry plantation business. As such, the Scheme did not have any amounts on its statement of financial position (2009: \$Nil).

The Scheme derived no operating profit during the financial year (2009: \$Nil) and made no distributions (2009: \$Nil).

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

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

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

MACQUARIE EUCALYPT PROJECT

Directors' Report
30 June 2010 (continued)

Likely developments and expected results of operations

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

Further information on likely developments in the operations of the Scheme 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 Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Scheme. So long as the officers of the Responsible Entity act in accordance with the Scheme Constitution and the *Corporations Act 2001* (the "Act"), the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

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

No fees were paid to the Responsible Entity and its associates out of Scheme property during the financial year (2009: \$Nil).

No fees were paid out of Scheme property to the Directors of the Responsible Entity during the financial year (2009: \$Nil).

The number of interests in the Scheme held by the Responsible Entity and its associates as at the end of the financial year are disclosed in Note 7 of the Financial Statements.

Interests in the Scheme

There were no movements in interests on issue in the Scheme during the financial year. The interests on issue at 30 June 2010 were 1,067 (2009: 1,067).

Environmental regulation

The Responsible Entity has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified and appropriately addressed.

The Directors have determined that there has not been any material breach of those obligations during the financial year.


MACQUARIE EUCALYPT PROJECT

Directors' Report
30 June 2010 (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.

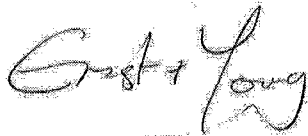
A handwritten signature in black ink, appearing to read 'Peter Lucas', is written above a horizontal dotted line.

Director
Sydney
28 September 2010

Peter Lucas

Auditor's Independence Declaration to the Directors of Macquarie Alternative Assets Management Limited, as Responsible Entity for Macquarie Eucalypt Project

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



Ernst & Young



Darren Handley-Greaves
Partner
28 September 2010

MACQUARIE EUCALYPT PROJECT

Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	Year ended	
		30 June 2010	30 June 2009
		\$	\$
Total investment income		-	-
Total operating expenses		-	-
Operating profit/(loss)		-	-
Finance costs attributable to interest holders		-	-
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		-	-

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

MACQUARIE EUCALYPT PROJECT

Statement of Financial Position

as at 30 June 2010

	Notes	30 June 2010 \$	30 June 2009 \$
Total assets		-	-
Total liabilities (excluding net assets attributable to interest holders)		-	-
Net assets attributable to interest holders - liability	5	-	-

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

MACQUARIE EUCALYPT PROJECT

Statement of Changes in Equity

for the year ended 30 June 2010

	Year ended	
	30 June 2010	30 June 2009
	\$	\$
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income and loss for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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

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

MACQUARIE EUCALYPT PROJECT

Statement of Cash Flows

for the year ended 30 June 2010

	Notes	Year ended 30 June 2010 \$	30 June 2009 \$
<i>Net cash inflow/(outflow) from operating activities</i>	8(a)	-	-
<i>Net cash inflow/(outflow) from financing activities</i>		-	-
<i>Net increase/(decrease) in cash and cash equivalents</i>		-	-
Cash and cash equivalents at the beginning of the year		-	-
<i>Cash and cash equivalents at the end of the year</i>		<hr/>	<hr/>

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

MACQUARIE EUCALYPT PROJECT

Notes to the Financial Statements

for the year ended 30 June 2010

1. General information

This financial report covers the Macquarie Eucalypt Project ("the Scheme") as an individual entity. The Scheme was constituted on 17 March 2003 and registered on 31 March 2003. The Scheme is expected to terminate on 31 December 2014 or at a later date in accordance with the provisions of the Scheme Constitution.

The Macquarie Eucalypt Project is a managed investment scheme. Macquarie Alternative Assets Management Limited ("the Responsible Entity" of the Scheme) has its registered office at No.1, Martin Place, Sydney, New South Wales 2000, Australia. The Scheme issued interests for \$Nil consideration on 30 June 2003 and the Responsible Entity received a plantation establishment fee of \$6,200 per interest (excluding GST) to cover the establishment and maintenance costs of the timber plantations. The Macquarie Timber Land Trust, a managed investment scheme with the same Responsible Entity, issued units at \$1,300 per unit (GST free) in order to purchase the land on which the timber plantations are situated. The financial report is presented in Australian currency.

Forestry investments associated with the project are the property of individual interest holders and are not considered Scheme property. As a result, such investments held by members are not included in the statement of financial position of the Scheme.

In accordance with the terms of an off-take agreement, when the forestry assets owned by individual interest holders are ready for harvest (expected to occur in approximately 2014) the Responsible Entity, acting as agent for the interest holders, will sell these assets to the off-taker on the interest holders' behalf.

The financial statements were authorised for issue by the Directors on 28 September 2010. The Directors of the Responsible Entity have the power to amend and reissue the financial report.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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.

Compliance with International Financial Reporting Standards (IFRS)

The financial report of the Scheme also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

MACQUARIE EUCALYPT PROJECT

Notes to the Financial Statements
for the year ended 30 June 2010 (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Financial Statement Presentation

The Scheme has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Scheme had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and investments in money market instruments which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and bank overdrafts.

(c) Income Tax

Under current legislation, the Scheme is not subject to income tax provided the distributable (taxable) income of the Scheme is fully distributed either by way of cash or reinvestment (i.e. interest holders are presently entitled to the income of the Scheme). Distributable income is determined by reference to the taxable income of the Scheme.

(d) Distributions

In accordance with the Scheme Constitution, the Scheme fully distributes its distributable (taxable) income to interest holders by way of cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to interest holders.

(e) Net assets attributable to interest holders

Interests are redeemable at the end of the Scheme's finite life and are therefore classified as financial liabilities. The fair value of redeemable interests is measured at the redemption amount that would be received if interests were redeemed at the reporting date.

(f) Increase/decrease in net assets attributable to interest holders

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

(g) Functional and presentation currency

Items included in the Scheme's financial statements 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 Scheme competes for capital and is regulated. The Australian Dollar is also the Scheme's presentation currency.

MACQUARIE EUCALYPT PROJECT

Notes to the Financial Statements
for the year ended 30 June 2010 (continued)

2. Summary of significant accounting policies (continued)

(h) New accounting standards and interpretations

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

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

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Scheme has not adopted these standards early. However, management does not expect any impact on the Scheme's financial statements as the Scheme does not hold any available-for-sale investments.

(ii) *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139] (effective from 1 July 2010)*

In May 2009, the Australian Accounting Standards Board issued a number of improvements to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 8 Operating Segments, AASB 101 Presentation of financial statements, AASB 107 Statement of Cash Flows, AASB 117 Leases, AASB 118 Revenue, AASB 136 Impairment of Assets and AASB 139 Financial Instruments: Recognition and Measurement. The Scheme will apply the revised Standards from 1 July 2010. The Scheme does not expect any adjustments as a result of applying the revised rules.

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

In December 2009, the Australian Accounting Standards Board 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 removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Scheme will apply the amended standard from 1 July 2011. When the amendments are applied, the Scheme would need to disclose any transactions between its subsidiaries and its associates. However, as the Scheme does not have any subsidiaries and associates, the amendment will not have any effect on the Scheme's financial statements.

(i) Use of estimates

In preparing the financial statements no estimates were made which included a high degree of judgement.

3. Financial risk management

The Scheme did not hold any financial instruments during the financial year and is therefore not exposed to credit risk, liquidity risk and market risk.

MACQUARIE EUCALYPT PROJECT

Notes to the Financial Statements
for the year ended 30 June 2010 (continued)

4. Auditor's remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the Scheme.

	Year ended	
	30 June 2010	30 June 2009
	\$	\$
Audit services		
Ernst & Young		
Audit and review of the financial report	7,710	-
Compliance plan audit fees	290	-
PricewaterhouseCoopers Australian firm		
Audit and review of financial report	-	8,017
Compliance plan audit fees	-	1,195
Total remuneration for audit services	8,000	9,212

No non-audit services were paid/payable during the year (2009: \$Nil).

The Responsible Entity pays all audit costs on behalf of the Scheme. It is not the intention of the Responsible Entity to recharge the audit costs to the Scheme, as permitted by the Constitution. No contingent liability has been recognised by the Scheme in relation to audit costs.

5. Net assets attributable to interest holders

	Interests on issue		Interest holders' funds	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	No.	No.	\$	\$
Opening balance	1,067	1,067	-	-
Increase/(decrease) in net assets attributable to Interest holders	-	-	-	-
Closing balance	1,067	1,067	-	-

Forestry investments associated with the project are the property of individual interest holders and are not considered Scheme property. As a result, such investments held by members are not included in the statement of financial position of the Scheme.

As stipulated within the Scheme Constitution, each interest represents the trees being grown and the forestry activities carried out on one plantation lot (approximately 1 hectare of land). There are no separate classes of interests and each interest has the same rights attached to it as all other interests of the Scheme.

MACQUARIE EUCALYPT PROJECT

Notes to the Financial Statements
for the year ended 30 June 2010 (continued)

5. Net assets attributable to interest holders (continued)

Capital risk management

The Scheme considers its net assets attributable to interest holders as capital, notwithstanding net assets attributable to interest holders are classified as a liability.

The Scheme issued interests for \$Nil consideration and hence there are no amounts which are managed as capital by the Scheme. As previously stated forestry investments associated with the projects are the property of the individual interest holders and are not considered Scheme property.

The Responsible Entity has received fees of \$6,200 per interest (excluding GST) as plantation establishment fees and is responsible for establishment and maintenance of the forestry investments.

6. Distributions to interest holders

No distributions were paid/payable to interest holders during the financial year (2009: \$Nil).

7. Related party transactions

Responsible Entity

The Responsible Entity of the Macquarie Eucalypt Project is Macquarie Alternative Assets Management Limited (a wholly owned subsidiary of Macquarie Group Limited).

Key management personnel

(a) Responsible Entity

The Responsible Entity was the only key management personnel for the financial year. The following persons have held offices as Directors of Macquarie Alternative Assets Management Limited during the financial year ended 30 June 2010:

Anthony John Abraham
Peter Bruce Lucas
Simone Alison Mosse

(b) Other key management personnel

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

Related party and Key management personnel interest holdings

Parties related to the Scheme (including the Responsible Entity, its directors, its affiliates and other Trusts managed by the Responsible Entity), held interests in the Scheme as follows:

MACQUARIE EUCALYPT PROJECT

Notes to the Financial Statements
for the year ended 30 June 2010 (continued)

7. Related party transactions (continued)

Related party and Key management personnel interest holdings (continued)

2010

Interest holder	Number of interests held opening (No.)	Number of interests held closing (No.)	Interest held (%)	Number of interests acquired (No.)	Number of interests disposed (No.)	Distributions paid/payable by the Scheme (\$)
Anthony John Abraham	10	10	0.94 %	-	-	-
Peter Bruce Lucas	20	20	1.87 %	-	-	-

2009

Interest holder	Number of interests held opening (No.)	Number of interests held closing (No.)	Interest held (%)	Number of interests acquired (No.)	Number of interests disposed (No.)	Distributions paid/payable by the Scheme (\$)
Anthony John Abraham	10	10	0.94 %	-	-	-
Michael James Price	5	5	0.47 %	-	-	-
Peter Bruce Lucas	20	20	1.87 %	-	-	-

Key management personnel compensation

Payments, if any, made from the Scheme to the Responsible Entity do not include any amounts directly attributable to the compensation of Directors of the Responsible Entity.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the Responsible Entity or its Directors or their personally related entities at any time during the reporting period.

Other transactions within the Scheme

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

MACQUARIE EUCALYPT PROJECT

Notes to the Financial Statements
for the year ended 30 June 2010 (continued)

7. Related party transactions (continued)

Responsible Entity's fees

The Responsible Entity did not receive any fees from the Scheme during the financial year ended 30 June 2010 (2009: \$Nil).

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

All related party transactions are conducted on normal commercial terms and conditions. There were no transactions during the financial year or amounts payable at the end of the financial year between the Scheme and the Responsible Entity.

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

	Year ended	
	30 June 2010	30 June 2009
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	\$	\$
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to interest holders	-	-
Distribution made to interest holders	-	-
Net change in receivables and other assets	-	-
Net change in payables and other liabilities	-	-
Net cash inflow/(outflow) from operating activities	-	-

(b) Non-cash financing activities

The Scheme did not engage in any non-cash financing and investment activities during the financial year.

9. Events occurring after the reporting date

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

10. Contingent assets and liabilities and commitments

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

MACQUARIE EUCALYPT PROJECT

Directors' Declaration

30 June 2010

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
 - (iii) giving a true and fair view of financial position of the Macquarie Eucalypt Project as at 30 June 2010 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

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



.....
Director
Sydney
28 September 2010

Peter Lucas

Independent auditor's report to the unitholders of Macquarie Eucalypt Project

We have audited the accompanying financial report of Macquarie Eucalypt Project, ("the Fund") which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

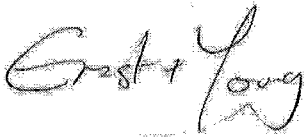
Independence

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

Auditor's Opinion

In our opinion:

1. the financial report of Macquarie Eucalypt Project is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Macquarie Eucalypt Project at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



Ernst & Young



Darren Handley-Greaves
Partner
28 September 2010