MACQUARIE LEISURE TRUST GROUP

ANNUAL REPORT 2007

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Invest where you play

Macquarie Leisure Trust Group today

66

leisure assets across Australia and offshore

Financial performance

$713 million

market capitalisation

26%

profit growth*

18%

distribution growth

10%

earnings per stapled security growth

41%

total return for 12 months to 30 June 2007

* Excludes unrealised gains/losses on financial instruments, property revaluations, straight-lining of fixed rent increases, performance fee, pre-opening costs, IFRS depreciation and one off due diligence costs on acquisitions not completed.

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Macquarie Leisure Trust Group is one of Australia's most successful owners and operators of premium leisure assets including Dreamworld, d'Albora Marinas, AMF and Kingpin bowling, as well as a growing portfolio of family entertainment assets offshore.

The Group is focused on leveraging these assets and businesses to deliver earnings and capital growth to its investors.

Our specialised management expertise in this sector has continued to deliver strong returns and a solid platform for future growth.

Exceptional performance has delivered strong returns for investors

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- Total securityholder return of 41% for the 12 months to 30 June 2007
- Net profit grew 26% to $40.6 million*
- Earnings per security increased by 10% to 19.45 cents* (up from 17.67 cents)
- Distribution per security climbed 18% to 17.1 cents (up from 14.5 cents)
- US based Main Event family entertainment centres in Texas successfully integrated with earnings up 24% on acquisition estimates
- WhiteWater World developed on budget with trading ahead of expectations since opening
- d'Albora Marinas expanded through the opening of the first stage of the Victoria Harbour marina in Melbourne's Docklands and the expansion of Nelson Bay marina in New South Wales
- In July 2007 announced the proposed acquisition of the Goodlife Health Club portfolio of 18 centres for $60 million, expected to be completed in September 2007

The Macquarie Real Estate advantage

- Macquarie Leisure Trust Group is one of six listed property trusts and 19 unlisted property funds managed by Macquarie Real Estate and its associates.
- Approximately $23 billion of real estate assets are managed by Macquarie Real Estate and its associates, across a portfolio of listed and unlisted property trusts, unlisted development funds and property investment syndicates, globally.
- Macquarie Real Estate's global platform encompasses over 530 real estate professionals operating in 10 countries.
- Macquarie Real Estate's expertise has been recognised internationally, winning six Liquid Real Estate Awards, in the 2007 Euromoney Real Estate Awards, a survey of the best real estate products and services, globally. The business has been voted No. 1 in Investment Management in Asia, Australia, China, Hong Kong, Singapore and the US.

Macquarie in the community

Macquarie Bank Limited has been involved in community giving since 1969 with the Macquarie Bank Foundation formally established in 1984. Over this time, Macquarie has supported many hundreds of organisations working to support and improve the communities in which we live and work. In the year to 31 March 2007, the Macquarie Bank Foundation and Macquarie staff contributed over $16 million in funding to more than 500 community organisations. In addition, Macquarie staff provided many hours of volunteer, pro bono and executive support to a wide range of not-for-profit organisations. For further information please go to http://www.macquarie.com.au/foundation.

* Excludes unrealised gains on financial instruments, property revaluations, straight-lining of fixed rent increases, performance fee, pre-opening costs, IFRS depreciation and one off due diligence costs on acquisitions not completed.

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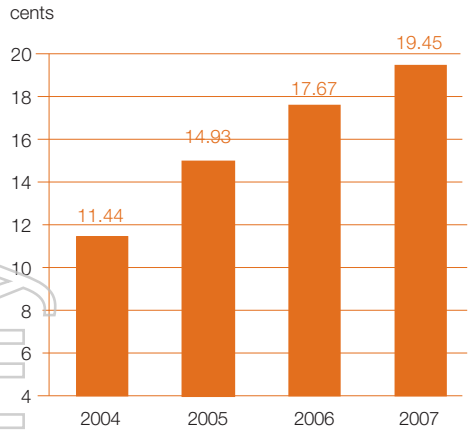
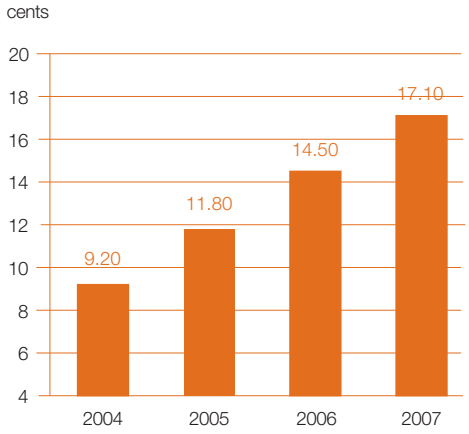
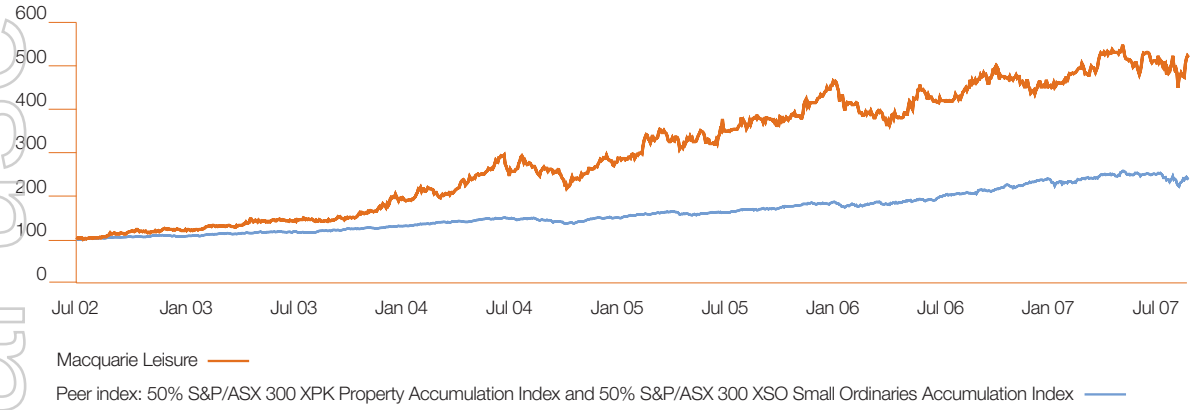
Earnings per stapled security



Distributions per stapled security



Accumulated returns



Key Macquarie Leisure statistics

	2007	2006
Group performance		
Revenue from operating activities	$247.5m	$181.6m
Rental income from investment properties	$63.1m	$54.8m
Net profit before finance costs attributable to stapled securityholders	$47.9m	$38.0m
Net Distributable earnings*	$40.6m	$32.2m
Earnings per security*	19.45c	17.67c
Securityholder returns		
Total distribution	$36.8m	$26.4m
Distributions per security	17.1c	14.5c
Tax deferred component	20.37%	34.60%
Securityholder value		
Total assets	$704.1m	$458.3m
Securityholders' equity	$490.4m	$322.5m
Net tangible assets per security**	$1.97	$1.70
Gearing ratio***	23%	19%
Number of securities on issue	216,146,846	182,867,614
Number of securityholders	8,062	7,653

* Excludes unrealised gains on financial instruments, property revaluations, straight-lining of fixed rent increases, performance fee, pre-opening costs, IFRS depreciation and one off due diligence costs on acquisitions not completed.

** Net tangible assets per stapled security is $1.88 (2006: $1.63) after deducting the distribution in respect of the six months ended 30 June 2007 which was paid on 30 August 2007.

*** Gearing ratio is 26% (2006: 22%) if the distribution paid on 30 August 2007 is included in the calculation.

All figures as at 30 June of the relevant year and in Australian dollars unless otherwise specified.

Strong performance from each of the Group's businesses has delivered a year of record profit

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< Neil Balnaves
Chairman

> Greg Shaw
Chief Executive Officer

It is pleasing to report that Macquarie Leisure has again delivered a record profit of $40.6 million, up 26% on last year's result.

The Group's securityholders have achieved a 41% total return for the year as a result of distributions rising 18% to 17.1 cents per security and continued growth in the Group's security price.

Macquarie Leisure has matured as a truly integrated leisure owner and operator following the successful acquisition of Main Event US Holdings Inc., in August 2006 and more recently its announcement in July 2007 to acquire the Goodlife Health Club portfolio. In addition to these strategic acquisitions, the Group's largest development project, WhiteWater World, opened on time and on budget in December 2006.

Macquarie Leisure is also well positioned to deliver further organic growth from existing operations and to increase earnings through new developments within each of its operating divisions.

The Group's major asset, Dreamworld theme park, continues to be a major contributor to Group earnings and leads the way in the introduction of new entertainment and thrill ride products to the Australian market. For the third year running, the park was recognised as Queensland's best tourist attraction. Dreamworld boasts a unique blend of entertainment, attractions and brand partnerships which will be enhanced by the September launch of the Mick Doohan motocoaster ride. This 'motocoaster' is the first in the world to feature life-size 500cc racing bike replicas providing an exhilarating rollercoaster experience.

The opening of WhiteWater World on time and on budget was a substantial achievement for the management team given the specialised nature of the product and the stretched construction market in South East Queensland. The performance of the park since opening illustrates that the market responds well to innovative product offerings and the Group will continue to reinvest in WhiteWater World to maximise opportunities available through the park's unique co-location advantage.

d'Albora Marinas remains well positioned to benefit from increased participation by the Australian public in boating activities. As the country's largest marina owner and operator, the Group has secured prime locations in Australia's most popular recreational waterways this has underwritten steady growth in d'Albora earnings since acquisition of the business back in 2001.

Rushcutters Bay, NSW.

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The repositioning of tenpin bowling in the Australian market through an enhanced customer service offering and redevelopment of existing facilities has helped drive revenues and earnings growth. The refurbishment of Kingpin's flagship site at Crown Casino and the opening of new high profile sites at Kingpin Harbourside and AMF Strathfield in September 2007 are anticipated to provide an additional revenue boost through these high volume locations.

A focus on direct marketing initiatives within the bowling portfolio has also seen increased interest from social and corporate groups which we believe hold significant upside potential to drive incremental revenue in the coming years.

The Group's acquisition of the Main Event family entertainment portfolio in Texas in August 2006 has proven to be an ideal entry into the US market. Main Event earnings in 2007 have exceeded acquisition assumptions by an astounding 24% and are expected to be further enhanced by the strong performance of the Webster site in Houston which opened in May 2007. Construction of Main Event's new facility in Lubbock, Texas is now well advanced and scheduled to open in October 2007. A further site in Frisco, Dallas has been secured for a scheduled July 2008 opening.

Outlook

We believe the US market provides significant growth opportunities for Macquarie Leisure and it is our intention to pursue the recruitment of senior management resources to provide greater 'on-the-ground' capability in the world's largest leisure and entertainment market.

We are also excited with the potential that the proposed Goodlife Health Club acquisition provides for Macquarie Leisure to enter into the rapidly expanding fitness market. Goodlife is the dominant fitness operator in Queensland and has successfully expanded into both Victoria and New South Wales. The acquisition provides a compelling opportunity for Macquarie Leisure to become a major player in this high growth segment which is expected to deliver a significant boost to earnings and distributions in the 2009 financial year.

Once again, we would like to thank management and staff for their outstanding contribution to the Group's result. Macquarie Leisure has substantially outperformed all peers and the Group is now extremely well positioned to grow both in Australia and offshore. We also thank investors for their support over the past year and again encourage you to experience the Group's assets through the investor benefits program.

Yours faithfully

Neil Balnaves
Chairman

Greg Shaw
Chief Executive Officer

Where Australia plays

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Highlights

8.3%

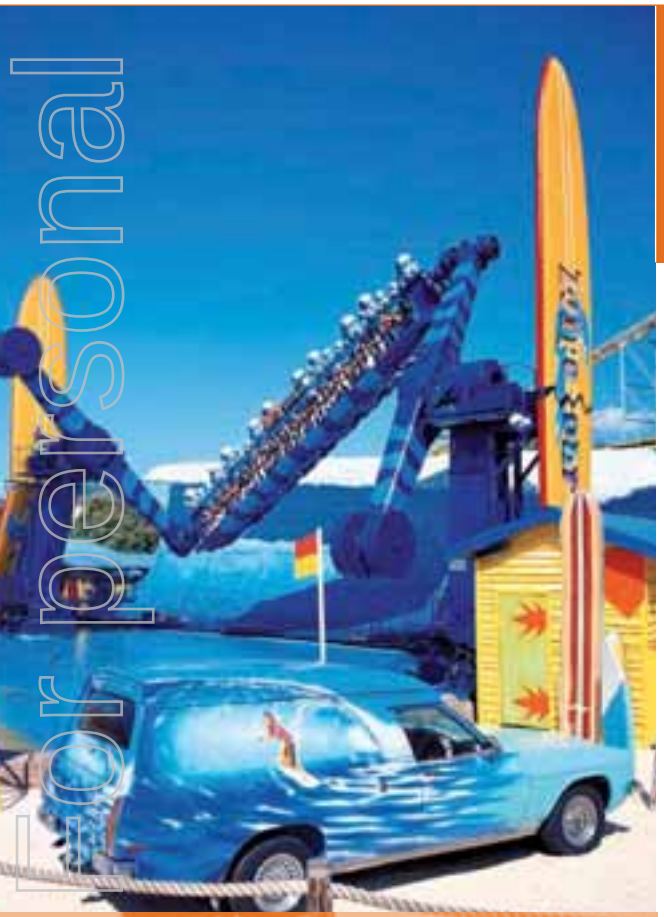
increase in earnings to $33.6 million

38.1%

operating margin

5.4%

increase in revenue to $88.0 million



The Wipeout is one of the many popular attractions at Dreamworld.

Appealing to a wide audience continued to deliver impressive revenue growth

Dreamworld is one of Australia's premier theme parks, and has produced another outstanding result for Macquarie Leisure. The park was again recognised as Queensland's best tourist attraction for the third year running and in 2006 the park was recognised as the Gold Coast Business of the Year.

The combined value of Dreamworld and WhiteWater World increased 21% from $290.1 million to $350 million following an independent valuation as at 30 June 2007. The significant appreciation reflects strong underlying earnings and increased interest in major leisure assets from institutional investors.

New attractions are continuously being introduced to refresh the park's dynamics, ensuring it remains exciting for patrons and encourages return visits. Mick Doohan's motocoaster ride is a prime example of this strategy in action. The new multi-million dollar thrill ride will introduce cutting-edge ride technology and a brand new experience to the Australian market, being the only motocoaster in the world to feature life-size replica racing bikes. It complements the exciting suite of rides already in place including The Claw, The Wipeout, The Giant Drop, Tower of Terror and the Cyclone Rollercoaster.

Artist's impression of the new Mick Doohan's motocoaster ride due to open at Dreamworld in September 2007.

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Popular brands continue to attract

Affiliation with leading brands is a key strategy in developing further appeal for all demographic markets. These brands include Wiggles World, Nickelodeon and TV show Big Brother which help to raise the park's profile and attract and retain strong loyalty from local patrons.

The Group continues to use these key brands to leverage spending and cross promotional opportunities to drive revenue growth. This year the per capita spending was up 6.8% to $64.34 per person.

Special events program increased revenue

Dreamworld has a dedicated team to deliver incremental revenue from special events outside the traditional trading hours of the park. This year has seen a significant increase in this area, with revenues exceeding $3.3 million for the first time.

Operating efficiencies a key factor

Operational efficiency remains a focal point for management and has delivered consistent results for investors. By effectively managing staff, controlling overheads and group purchasing items like food, beverage and insurance, Dreamworld's operating margins increased this year to 38.1% against 37.1% achieved in the prior year.

Caring for tomorrow

This year, Dreamworld made significant contributions to two conservation causes, illustrating the commitment of the park's team to a sustainable tomorrow.

Dreamworld made a $65,000 donation to the conservation group 21st Century Tiger to assist in its field work and support its administration in London. The donation is from the park's Tiger Fund which is designed to collect money through a number of resident tiger activities and through the educational, conservation-based Tiger Island exhibit. The fund has made donations of $750,000 since its formation in 1997.

The *Adopt an Animal Program* has also been introduced at the park, which will see wildlife, from Bengal and Sumatran tigers to cougars, dingoes, bilbies, Tasmanian devils, crocodiles and kangaroos, become available for adoption. Funds raised from the scheme, go to the Dreamworld's conservation fund to support animal research and conservation projects internationally.

Coomera land update

Dreamworld has retained ownership of a significant parcel of undeveloped land adjacent to current theme park operations. This site is suitable for the development of future retail, mixed use, commercial, leisure and entertainment facilities. Ultimate development potential remains subject to finalisation of a draft structure plan due to be released by the Gold Coast City Council for public comment in the coming months. Ongoing negotiations have been conducted with relevant planning authorities to seek to maximise the potential for integration of the above uses with the existing theme park precinct.

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WhiteWater World development delivered a splash

Highlights

$8.7 million

total revenue

45.8%

operating margin

$4.0 million

earnings*

The Octopus Racer is just one of many high-thrill rides at WhiteWater World.

New water park is making its mark as a must-visit leisure destination

The successful opening of WhiteWater World in December 2006 was a milestone for the Group. It was the first new Gold Coast theme park in 14 years, and is a stand alone water park, forming part of the broader Dreamworld leisure precinct.

The WhiteWater World development has allowed the Group to leverage the operational expertise of the Dreamworld management team and to extend the successful Nickelodeon and Wiggles partnerships. The Group engaged water ride experts, Water Technologies and conducted extensive research in the US to ensure the creation of a world-class attraction.

The water park offers a range of new generation rides never before seen in the Australian market – including an expansive wave pool in a themed environment.

It also provides a new venue for Dreamworld's growing special events market which is increasingly becoming an important additional revenue source with the potential to deliver higher returns.

Delivering results

After only six months of operation, the water park has exceeded expectations. Despite an unseasonably wet and cold start to the January 2007 period, attendance levels have reached 247,000 for the seven months of trading. Total revenue of $8.7 million delivered earnings of $4.0 million* at an impressive margin of 45.8%.

* Before pre-opening costs

An aerial view of WhiteWater World.

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Environmentally-friendly design

In line with the Group's aim to create an environmentally-sustainable venue, the water park incorporates eco-friendly technology to ensure sustainable water management practices. The filtration system has been installed with the aim of reducing annual water wastage from backwashing by 99% when compared to traditional systems. A five star efficiency rating has also been obtained for water usage. Considering the importance of sustainability, the Group is proud of these environmental initiatives at the park.

Property revaluations

Dreamworld and WhiteWater World

The value of Dreamworld and WhiteWater World gained $60 million after it was independently revalued to $350 million as at 30 June 2007 representing an increase of 21% on the previous book value. This significant appreciation reflects the strength of the underlying businesses and their positioning in the market.

Dreamworld and WhiteWater World

Location	Dreamworld and WhiteWater World are located in the South East Queensland suburb of Coomera, conveniently found between Brisbane and the Gold Coast with easy access via the eight lane Pacific Highway. They are also close to Coomera Railway station on the Brisbane – Gold Coast line.
Market position	Dreamworld is one of Australia's premier theme parks with a range of attractions that cater for all demographics. These include the Nick Central family zone, some of the tallest and fastest thrill rides in the world, one of the largest native Australian wildlife parks in South East Queensland and the educational, conservation-based Tiger Island experience. A world-class water park, WhiteWater World offers a new generation of attractions never seen before in the Australian market. It features a themed environment with an expansive wave pool and a host of water rides, including the popular SuperTubes Hydrocoaster, which appeals to the youth, family and corporate event markets.
Date of purchase	3 July 1998 WhiteWater World opened 8 December 2006
Title	Freehold
Site area	104.57 ha (including excess land)
Purchase price	$102.5 million (including excess land)
Directors' valuation	$374.3 million (including excess land)

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Australia's largest owner and operator of marinas

Highlights

7.4%

increase in total revenue to $20.4 million

54.2%

operating margin

2.8%

increase in earnings to $11.0 million

Victoria Harbour is a vibrant hub of boating activity that is expected to continue to increase earnings for investors.

With limited marina acquisition opportunities in Australia, development of new marinas and expansion of existing facilities have helped grow the portfolio and returns for investors

Macquarie Leisure's marina operation, d'Albora Marinas has secured its place as the largest owner and operator of marinas within Australia with the development of Victoria Harbour in Melbourne's Docklands precinct. Stage one of this development comprises 72 berths with further stages providing for an ultimate capacity of 178 berths.

This business has some of Australia's best located marina assets in the most popular recreational waterways. These prime locations have generated excellent returns for Macquarie Leisure investors with total revenue increasing by 7.4% to $20.4 million, contributing to a 2.8% uplift in earnings to $11.0 million in the financial year.

The portfolio of Akuna Bay, Cabarita Point, Nelson Bay, Pier 35, Rushcutters Bay and The Spit were revalued by Knight Frank and increased by 17% to $93.5 million at 30 June 2007.

Expansion on the agenda

The Nelson Bay marina in New South Wales has also been expanded with an additional 32 berths at a cost of $1.5 million including a number of much sought after larger berths. This project takes the total number of berths to 196. This marina will not only service local boat owners but will also serve the growing number of vessels sailing the NSW coast.

d'Albora hosts a number of community events at its Nelson Bay marina, which has been expanded with an additional 32 berths.

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An environmental commitment

The environment is a key consideration for the Group's marina business. All d'Albora marinas comply with the Marine Association of Australia's 'Clean Marinas of Australia' accreditation program.

Enhancing the customer offering

The Sydney Boatshare business was acquired in July 2006 and is testimony to the Group actively pursuing complementary marine businesses expected to deliver revenue and profit growth while enhancing d'Albora's product offering. The Boatshare business provides a cost effective and easy means by which people can enjoy boating through fractional ownership of luxury vessels. From July 2006 to 28 August 2007, this business has sold 73% of a current fleet of eight vessels which were acquired for $6.3 million.

Property revaluations

The portfolio of Akuna Bay, Cabarita Point, Nelson Bay, Pier 35, Rushcutters Bay and The Spit were independently valued at $93.5 million as at 30 June 2007.

This market valuation has been adopted for the purpose of the accounts, along with the directors' valuation of Victoria Harbour, to give a total portfolio value of $97 million.

d'Albora Marinas

Location	Akuna Bay, NSW Cabarita, NSW Nelson Bay, NSW Pier 35, VIC Rushcutters Bay, NSW The Spit, NSW Victoria Harbour, VIC
Market position	The marinas are located in some of Australia's most popular recreational waterways. These locations enjoy strong demand for berthing facilities and benefit from government restrictions on waterfront uses, which make entry by new competitors difficult.
Date of purchase	Various
Title	Leasehold
Number of berths	Wet 912 Dry 472 Total 1,384
Depreciated historic cost	$71.5 million (including Victoria Harbour)
Directors' valuation	$97.0 million (including Victoria Harbour)

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Restructuring, developments and acquisitions repositioned the bowling business

Highlights

12.3%

increase in total revenue to $87.9 million

27.3%

operating margin

22.2%

increase in earnings (before property costs) to $24.0 million

Growth via new developments and acquisitions delivered results

Bowling is one of the highest participation sports in the US and is increasingly becoming more popular in Australia. This year, the Macquarie Leisure bowling group generated total revenues of $87.9 million for the period, up 12.3% on the prior corresponding period.

On the acquisitions and development trail

Macquarie Leisure is focused on continuing to grow the bowling business through organic growth, acquisitions and new developments. Testimony to this is the substantial activity throughout the financial year.

In March 2007, the Group acquired the Panmure Superbowl in Auckland, New Zealand for NZ$1.7 million. Located in the growing suburb of Panmure, the facility is an integrated bowling and entertainment venue. This acquisition strengthens Macquarie Leisure's position in New Zealand following the acquisition of Garden City Bowl in Christchurch in March 2006.

The $11.7 million acquisition of Melbourne's Kingpin Crown bowling and entertainment centre and Kingpin Richmond facility was completed in August 2006. This acquisition complements the Group's existing AMF Bowling assets and provides a new operating platform for the Group's bowling division targeting the corporate and young adult markets via centrally located city facilities. As part of this

The success of Kingpin Crown bowling and entertainment centre has led to the development of the Kingpin Harbourside in Sydney, due to open in September 2007.

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acquisition, Macquarie Leisure is developing a Kingpin bowling lounge in Harbourside Shopping Centre at Sydney's Darling Harbour which is due to open in September 2007.

The Group has also acquired Village Bowl in Adelaide, South Australia for $1.3 million. The property is well located in a fast-growing residential area in close proximity to major educational and retail facilities. In the past 12 months, the Group opened a new development at Macarthur in Sydney's southwest in July 2006. It also completed a minor refurbishment at Randwick in December 2006 and a major refurbishment at Hornsby in June 2007.

In the current year, developments continue with minor refurbishments of Moorabbin and Knox in Victoria completed in August 2007. A new flagship site at Strathfield, the Kingpin Crown refurbishment and the development of the Kingpin Harbourside are also expected to be completed in September 2007.

Bowling group

Location	Freehold	Leasehold	Total
Australian Capital Territory	1	1	2
New South Wales	1	13	14
Queensland	2	6	8
South Australia	3	2	5
Tasmania	2	–	2
Victoria	3	10	13
Western Australia	3	1	4
New Zealand	-	2	2
Total	15	35	50
Market position	AMF is a market leader in bowling in Australia. The bowling centres are located in or around major metropolitan centres.		
Purchase price and purchase date	AMF Bowling $67.4 million – February 2005 BowlAustralia $8.5 million – March 2005 Kingpin $11.7 million – August 2006		
Title	Freehold/leasehold		
Freehold property valuation	$40.4 million		

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US family entertainment centres performed above expectations

Highlights

$40.5 million

total revenue

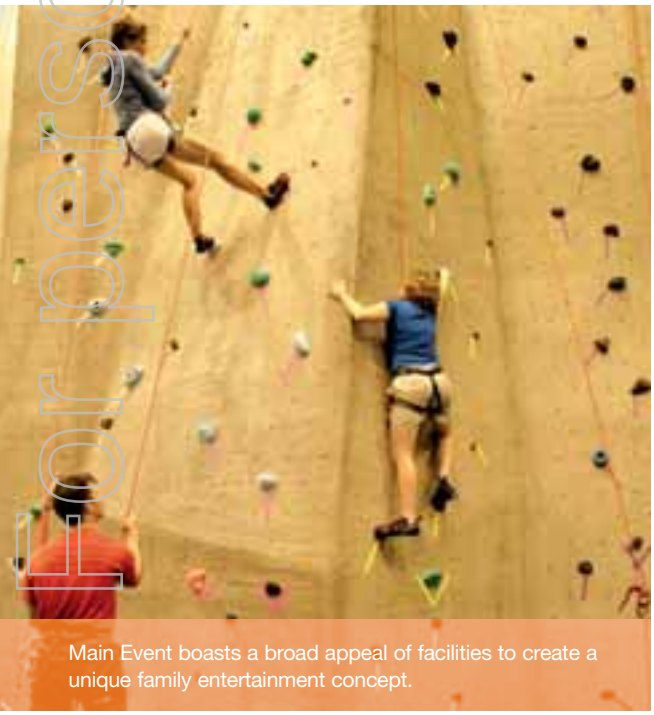
20.8%

operating margin

$8.4 million

earnings

STROKES GLOW GOLF



Main Event boasts a broad appeal of facilities to create a unique family entertainment concept.

Family entertainment centres continue to gain popularity in the US

Macquarie Leisure entered the US leisure and entertainment market in August 2006 with the acquisition of Main Event. This US$45 million deal provides a unique opportunity in a growing leisure market segment. The Texas-based entertainment group is one of the largest operators of indoor family entertainment centres in North America's southwest, with seven sites in Dallas, Fort Worth, Austin and Houston, Texas.

Unlike previous Australian acquisitions where Macquarie Leisure has focused on underperforming businesses requiring operational restructuring, in the US, Macquarie Leisure's strategy is to target established businesses that exhibit solid potential for further growth and development. As Main Event had an established business model, a proven track record of performance and was well resourced, it represented an ideal opportunity. The acquisition will provide a platform for further growth in the US market.

Main Event's performance has exceeded expectations with earnings 24% ahead of trading assumptions made at acquisition. Total earnings before depreciation interest and tax for the year were $8.4 million.

Main Event provides an exceptional growth platform into the US leisure and entertainment market.

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Business expansion continues from solid platform

The value of the US bowling industry is estimated at US$4 billion, and claims twice as many active participants as golf and more than three times the participants of tennis or skiing. Consequently, Macquarie Leisure is focused on growing its market share and has been actively developing the Main Event business this financial year.

The new Webster site in Houston opened in May 2007 while construction of the Main Event facility at Lubbock, Texas, remains on track for opening in October 2007.

Main Event has also entered into an option to acquire a 5.7 acre (2.3 hectare) development site in Frisco, Dallas, for US$2.98 million. The area is very attractive to the Group as the location is recognised as one of the fastest-growing residential areas within Texas. It is anticipated that subject to final approvals, the new facility will open by July 2008. Work is continuing to secure additional Main Event sites for further openings in 2008.

Main Event

Locations	Austin, Texas Forth Worth, Texas Grapevine, Dallas, Texas Lewisville, Dallas, Texas Plano, Dallas, Texas Shenandoah, Houston, Texas Webster, Houston, Texas Lubbock, Texas (under construction)
Market position	Main Event is one of the largest operators of indoor family entertainment centres in the southwest of North America. It has a tight geographic presence in Texas, the second largest US state by population. The business was established in 1998 and since then has experienced strong growth in sales revenue and Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) through intensive management.
Date of purchase	August 2006
Title	Freehold (Webster and Lubbock) / leasehold
Purchase price	US$45 million (A$60.1 million) (excluding an earn out payout)
Depreciated historic cost	$31.0 million*
Valuation	$31.0 million*

* As at 30 June 2007.

Board of directors

Our boards contain some of the most senior and accomplished people in the property and business community. Their collective wisdom and commitment underpin Macquarie Leisure's performance.

1. Neil Balnaves
Chairman

Appointed to Macquarie Leisure Management Limited
26 October 2001

Macquarie Leisure Operations Limited
28 April 2003

Neil has worked in the entertainment and media industries for over 40 years and is widely regarded as one of Australia's leading entertainment executives. Neil is a director of Southern Cross Broadcasting (Australia) Limited, Sevanlab Investments Pty Ltd, Rigby Hall Pty Ltd, Bond University Limited, Technicolor Pty Ltd and chairman of Endemol Southern Star Pty Ltd. Neil also serves on the boards of numerous advisory and community organisations as well as administrating the Balnaves Foundation, a philanthropic fund that supports the fields of medicine and the arts. He was executive chairman of Southern Star Group Limited from 1987 to 2005. Neil is a foundation fellow of the Australian Institute of Company Directors.

2. George Bennett
Independent Director

Appointed Macquarie Leisure Management Limited
30 March 1998

As the former executive chairman of KPMG Peat Marwick in Australia and a member of the KPMG International Executive Committee, George brings strong corporate governance experience to the board. He is a director of Australian Pipeline Limited, Macquarie Office Management Limited, manager of Macquarie Office Trust, Fantastic Holdings Limited and several private companies. He was a director of Brazin Limited. George is a fellow of The Institute of Chartered Accountants in Australia.

3. Anne Keating
Independent Director

Appointed to Macquarie Leisure Management Limited
30 March 1998

Macquarie Leisure Operations Limited
28 April 2003

Anne has over 20 years experience in the international airline industry. Her last executive role was as general manager of United Airlines in Australia. Anne now runs her own consulting business.

She is a director of STW Communications Limited, SSR Holdings Pty Limited, Goodman Group and is a member of the Advisory Council ABN Amro Australia Pty Limited. Anne was a director of Insurance Australia Group Limited and Victor Chang Cardiac Research Limited. She has been a delegate to the Australian American Leadership Dialogue since 1994 and is a governor of the Cerebral Palsy Foundation.

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4. Bruce Scott
Independent Director

Appointed to Macquarie Leisure Operations Limited
28 April 2003

Bruce has over 25 years experience in business and investment management. In particular, his company manages in excess of $400 million of investments in private companies. Bruce is managing director NBC Capital Pty Ltd, a director of Noble Water Limited and a number of private companies. He was previously a director of Trinity Consolidated Limited. Bruce is a member of the Australian Institute of Superannuation Trustees, the Australian Institute of Management and a fellow of the Australian Institute of Company Directors.

5. Simon Jones
Director

Appointed to Macquarie Leisure Management Limited
18 May 2005

Simon is an executive director of Macquarie Bank Limited and co-head of Macquarie Real Estate Capital. He is responsible for overseeing the management of over $17 billion in property funds. Simon is chairman of Macquarie Direct Property Management Limited, the manager of several unlisted property trusts and Macquarie Office Management Limited, manager of Macquarie Office Trust and an alternate director of Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust. Simon is a certified practising accountant and has a Graduate Diploma from the Financial Services Institute of Australasia and a BCom from the University of New South Wales.

6. John Wright
Director, Macquarie Leisure Management Limited

Director, Macquarie Leisure Operations Limited

Company Secretary

Appointed to Macquarie Leisure Management Limited and Macquarie Leisure Operations Limited
10 May 2007

(Alternate Director for Macquarie Leisure Management Limited and Macquarie Leisure Operations Limited from May 2005 – May 2007)

John brings extensive operational funds management skills to the boards. He is an executive director of Macquarie Bank Limited and has been responsible for the administration of the Trust since its inception. John has over 30 years experience in chartered accounting, investment banking and funds management. He is an alternate director of Macquarie DDR Management Limited, manager of Macquarie DDR Trust and Macquarie Direct Property Management Limited, manager of several unlisted property trusts. He was an alternate director of Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust and of Macquarie ProLogis Management Limited, manager of Macquarie ProLogis Income Trust and Macquarie ProLogis Trust which were delisted in July 2007. John is a chartered accountant and has a BEc from the University of Sydney.

The team driving asset performance and expansion opportunities strive to deliver growing returns to investors

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The Group's association with the Macquarie Bank Group (Macquarie) means we can access the resources of a full service investment bank with a global reach. As a leading Australian financial institution, Macquarie Bank employs over 10,000 people in 24 countries.

Macquarie Leisure Trust Group is managed by Macquarie Leisure Management Limited, which operates within the Macquarie Real Estate division of Macquarie – a pioneer in structuring sector specific listed property trusts with a focus on actively managing real estate to generate regular income and attractive total returns.

1. Greg Shaw
Chief Executive Officer

As chief executive officer (CEO) of Macquarie Leisure Trust Group, Greg is responsible for the overall co-ordination of the Group's activities including strategy, acquisitions, financial management and operations.

Greg's previous experience in hotel and leisure operations focused on turning around underperforming hotel and resort properties. Indeed, during his 10 years as a listed hotel owner and operator of Koala Corporation, he was instrumental in overhauling a portfolio of loss making hotel and resort properties to deliver profitable businesses.

Prior to joining Macquarie, Greg was managing director of Port Douglas Reef Resorts Limited, a listed hotel owner and property development group. In this role, Greg was awarded the Australian Chartered Accountant in Business Award for a $6 million profit turnaround in two years. It is this experience that has equipped Greg to steer Macquarie Leisure's exceptional performance as Australia's best performing property trust in recent years.

2. Richard Johnson
Chief Financial Officer

As chief financial officer (CFO) of Macquarie Leisure Trust Group, Richard is responsible for the overall financial management of the Group.

Richard joined Macquarie Leisure Trust Group as CFO in December 2004. After practising as a chartered accountant in London from 1988 to 1993, he specialised in the sports and leisure industry where he now has 14 years experience. From 1993 to 2003, Richard occupied a number of senior financial positions in Europe for IMG, the Mark McCormack Group of sports marketing companies. Richard moved to Australia with his family in 2003 and was CFO and acting CEO of the Australian Soccer Association prior to joining Macquarie Leisure Trust Group.

He is a fellow of The Institute of Chartered Accountants in England and Wales.

3. Darren Shacknofsky
Business Development Manager

As business development manager for Macquarie Leisure Trust Group, Darren is responsible for identifying and evaluating acquisitions, as well as structuring and executing live transactions.

Before joining Macquarie Leisure, Darren worked for Goldman Sachs in London generating and developing leveraged buyout initiatives for private equity firms.

Darren's experience includes being part of the senior management team of Mergermarket, the UK based financial information service provider, where he was responsible for business and product development and financial management. Additionally, Darren worked in the corporate finance teams of JP Morgan Chase and Deloitte Touche Tohmatsu, and was also an auditor at Deloitte Touche Tohmatsu for eight years.

Darren is a chartered accountant.

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4. Sharon Palmer
Company Secretary – Macquarie Leisure Operations Limited

Sharon is the group finance manager and company secretary for Macquarie Leisure Operations Limited and has been involved with the Group's operations since 1999. Sharon is a chartered accountant and chartered secretary and has more than 15 years commercial experience in both the tourism and leisure industries.

5. Kara Nicholls
Company Secretary

With over 10 years experience in real estate and equity capital markets, Kara brings extensive knowledge of listing rules, compliance, corporate governance and administration to the board.

Kara is the company secretary of a majority of the entities within Macquarie's Real Estate Capital division, including the management companies of the listed property trusts. Prior to joining Macquarie Bank in 2003, Kara spent six years at the Australian Securities Exchange (ASX).

Kara is a chartered secretary and a member of the Australian Institute of Company Directors. She holds a Bachelor of Business from the University of Technology, Sydney and is a fellow of Chartered Secretaries Australia.

6. Kristie Huthnance
Compliance Manager

Kristie is responsible for overseeing the Group's compliance with applicable laws and other requirements as well as overseeing the Group's operational risk framework. A solicitor, Kristie has been with the Macquarie Group for over twelve years, the past five as legal and compliance manager with the Real Estate Capital division and its predecessors.

7. Douglas Hunt
Head of Legal

Douglas heads up the legal team supporting the Group. A solicitor and chartered accountant, Douglas has been with the Macquarie Group for over eleven years, the past seven involved in managing legal and compliance issues within the Real Estate Capital division and its predecessors.

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Left to right:

1 Darren Shacknofsky
Richard Johnson
Greg Shaw

2 Sharon Palmer
Douglas Hunt
Kara Nicholls
Kristie Huthnance

Hands-on operational specialists have delivered strong trading performance from the Group's underlying assets

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8. Stephen Gregg
Chief Executive Officer – Dreamworld
Development Director – Macquarie Leisure Operations Limited

Stephen Gregg's 30 year career in tourism encompasses areas such as 4WD adventure touring, coach touring and travel wholesaling.

After starting his career with Trans Australia Airlines in Brisbane in 1974, Stephen spent the 1980s running a highly successful and awarded tourism management and marketing consultancy with tourism pioneer Bill King, based in Melbourne.

Following the sale of that business, Stephen joined the Queensland Tourist and Travel Corporation (now Tourism Queensland), holding several senior marketing roles culminating in the position of chief executive officer in 1996. His success in positioning Queensland as a multi-destination state by forging strong partnerships with the Queensland tourism industry, the regional tourist organisations and government made Stephen the ideal candidate to head up Dreamworld.

Since joining Dreamworld in May 2004, Stephen has been instrumental in forging Dreamworld's position as Australia's leading theme park.

Stephen holds a Master of Business Administration from Griffith University in Brisbane.

9. Roy Menachemson
Chief Executive Officer –
Bowling Operations Australia

Roy assumed this position after AMF Bowling Centres and BowlAustralia were acquired by Macquarie Leisure. Previously, he was the managing director of the BowlAustralia Group. Roy is widely recognised by the industry as a leader in the field of bowling centre operations. He is a sitting member on the International Growth Committee affiliated to the Bowling Proprietors Association of America whose operational charter is the growth of the business of bowling worldwide. He is a board member of both the Australian Bowling Proprietor's Association and the national industry body, Tenpin Bowling Australia.

His vast experience in the leisure industry led to his role as the incumbent Chair of the Advisory Board at the School of Leisure, Sport and Tourism Management within the business faculty at the University of Technology in Sydney. He has also been a representative on this board for over a decade.

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10. Lachlan MacLean

Chief Executive Officer – d'Albora Marinas

Having completed an Honours degree in Urban Development in Canada, Lachlan has pursued a career specialising in business development and management of variable cost operating businesses.

From 1994 to 2003, he worked for Wilson Parking, one of Australia's largest specialist car park operators focusing on business development. Lachlan secured several high profile sites for Wilson Parking such as Sydney Airport, Fox Studios and Darling Harbour. This success led to his promotion to general manager NSW and ACT.

Since joining d'Albora Marinas in 2003, Lachlan has overseen the expansion of the marina portfolio from four to seven marinas, including the acquisition of Macquarie Leisure's first Victorian asset, Pier 35, and the construction of a seventh marina in Melbourne's Docklands.

He has also taken a lead role in the marina industry, serving as a director of the Marina Association of Australia and as an executive committee member of the Marina Association of NSW.

11. Charlie Keegan

Chief Operating Officer – Main Event Entertainment

Charlie joined Main Event Entertainment as chief operating officer in October 2006. He has over 25 years of hospitality industry experience in North America with extensive experience in the casual dining sector.

From 1994 to 2006, Charlie occupied a number of key executive positions at Applebee's International Inc., as the company grew from a regional restaurant chain to the world's largest casual dining concept with system-wide sales of over US$4.5 billion.

Prior to joining Applebee's, Charlie led restaurant development efforts for a publicly traded US coffee roaster in New York City, and led the start-up of two privately held restaurant companies.

Charlie's background in franchising, concept development, operations and training makes him well equipped for his role as Main Event expands. Charlie has oversight of all operations, as well as training, recruiting, technical services and games administration.

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Left to right:

3 Stephen Gregg

4 Roy Menachemson

5 Lachlan MacLean

6 Charlie Keegan

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Current ASX principles

In March 2003, the ASX Corporate Governance Council released its Best Practice Recommendations (Current ASX principles). The Current ASX principles can be viewed at www.asx.com.au/corporategovernance.

In August 2007, the principles were amended. The amended principles take effect for the first financial year commencing on or after 1 January 2008.

The Current ASX principles are not prescriptive. Listed entities are required to disclose the extent of their compliance with the Current ASX principles and to explain why if they have not adopted a recommendation.

Other than where specifically stated to the contrary, the corporate governance structure described below complies with the Current ASX principles.

The Group structure

The nature of the Group

The securities issued by Macquarie Leisure Trust Group (Group) comprise one unit in Macquarie Leisure Trust (Trust) and one share in Macquarie Leisure Operations Limited (MLOL). Each unit and share are contractually "stapled" together forming the Group. As a result of this stapling, holders of ASX listed securities in the Group own an equal number of units in the Trust as they do shares in MLOL.

The corporate governance practices adopted by the Trust and by MLOL differ slightly due to their different legal status.

The Trust is a registered managed investment scheme under the Corporations Act 2001. There are special provisions governing the Trust and those who administer.

Macquarie Leisure Management Limited (Manager) has been appointed responsible entity of the Trust.

MLOL leases assets from the Trust and carries on operational business activities. MLOL is a public company.

Role of the Manager

The primary role of the board of the manager (board) is to oversee development of the long term growth and strategy of the Trust. The board is committed to achieving sound corporate governance practices.

Under the Corporations Act and the general law of trusts, the Manager has a duty to manage the Trust in the best interests of members'. The Corporations Act requires the Manager to, among other duties, act honestly, act in accordance with a duty of care and diligence and, if there is a conflict between the members' interest and its own interests, give priority to the members' interests.

To conduct its activities, the Manager holds an Australian Financial Services Licence (AFSL) issued by the Australian Securities and Investments Commission (ASIC). To retain its AFSL, the Manager must comply with specific requirements. These include maintaining a required minimum level of solvency and properly training and supervising its employees and agents.

Under the Corporations Act, the Manager must administer the Trust in accordance with a written constitution and must also prepare and lodge with ASIC a compliance plan.

The constitution of the Trust and the Manager govern, among other things, how the Trust must operate, the rights of the members, and how the remuneration of the Manager is calculated. The compliance plan sets out the mechanisms in place to ensure compliance with the Trust's Constitution and the Corporations Act.

Role of MLOL

The main function of MLOL is to employ staff, manage and operate the Trust's assets.

The board of MLOL is committed to achieving sound corporate governance practices.

Related party transactions

Macquarie Bank Group (Macquarie), as part of its existing business is able to offer various resources in areas in which the Trust and MLOL may seek professional services.

Related party transactions are clearly identified and governed by rules requiring they be undertaken on arms' length terms.

Related party transactions are tested by reference to market standards or agreed guidelines and are benchmarked by independent third parties.

Examples of where Macquarie may provide resources or services are equity underwriting, property due diligence, property management, property agency services including facility management and leasing, project management, debt arrangement, accounting, corporate and development management and property compliance.

In the course of normal activity, Macquarie may have an interest in properties owned or acquired by the Trust.

Amounts payable to a related party are subject to approval or ratification by the board with the interested directors abstaining.

Conflicts of interest

Procedures have been put in place to resolve any conflicts that may arise from related party transactions.

The Manager and MLOL will not enter into transactions with a member of Macquarie or where Macquarie has an interest (other than its role as Manager) unless that transaction has been approved by a majority of the independent directors. Macquarie executives who are directors abstain from

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voting on these resolutions. In this context, "transactions" may include approvals, consents, waivers and agreements.

In addition:

- all directors are under a fiduciary duty to act in the best interests of securityholders in relation to decisions when they are voting as a member of the board
- ASX listing rules may require securityholder approval in relation to the acquisition and disposal of assets or transactions with persons in a position of influence.

The directors and executive staff of the Manager and MLOL are expected to act with integrity and honesty.

Board structures

The board of MLOL and the Manager are both responsible for corporate governance and have adopted various charters, frameworks, policies and statements.

The corporate governance structure adopted by the board of the Manager reflects its role as the external manager of a listed property trust and as a result, the corporate governance structure may be different to a traditional listed company carrying on an operating business or a trust which is internally managed.

Relationship with Macquarie

The resources provided by Macquarie in accordance with the resources agreement as amended from time to time, assist the Manager to fulfil its duties and include the provision of services by senior executives such as the chief executive officer (CEO), chief financial officer (CFO), compliance manager and company secretary.

Macquarie will also appoint appropriately skilled executive and independent directors and will monitor their performance to ensure that the Trust continues to be managed appropriately.

The Manager considers that most of the recommendations contained in the Current ASX principles are relevant. However, several of the recommendations are either not relevant or the Manager has decided not to implement them.

The Manager has decided not to implement recommendation 2.4 which suggests that the Board should establish a nomination committee. Refer to details under *Chairman* and *Appointment to the board* headings for explanations as to these departures.

The Manager considers that the requirement to disclose the remuneration information required by recommendations 9.1, 9.2 and 9.4 is not relevant to the Trust. This represents a departure from the Current ASX principles. Refer to details *Disclosure of remuneration* heading for an explanation as to these departures.

MLOL is a public company and under stapling arrangements its shares are listed on ASX together with units in the Trust. As it is a listed company, all of the ASX Corporate Governance Guidelines apply to and are relevant to its corporate governance structure.

Composition of the board

Please see pages 16 and 17 for the appointment dates and profiles of each director, including details of their skills, experience and expertise.

Appointment to the board

Macquarie, as the owner of all the shares in the Manager, appoints the directors of the Manager. The following guidelines apply to board composition:

- new appointees to the board must be approved by Macquarie before being appointed by the Manager's board
- non-Macquarie directors should comprise a majority of the board of the Manager and MLOL
- the board should be comprised of directors with an appropriate range of skills, qualifications and expertise
- directors of the Manager can be removed by the ultimate shareholder at its absolute discretion, at any time
- the chairman of the Manager must be nominated by Macquarie and the appointment requires approval of the Manager's board. The Chairman of MLOL must be nominated by the holder of its special share
- a lead independent director should be appointed if the chairman is a Macquarie executive

Macquarie nominates executives to the board. Up to three independent directors may be nominated.

The Manager has decided not to establish a nomination committee as Macquarie is able to effectively manage the selection and appointment of new directors using its own resources.

This represents a departure from the Current ASX principles (recommendation 2.4).

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MLOL is owned by security holders in the Group. The independent directors of MLOL are elected by the Group's security holders.

Under the constitution of MLOL, the holder of its special share has the power to appoint the chairman and a minority of directors.

MLOL has established a nomination committee to assist the board in:

- the examination, selection, assessment, nomination and appointment of directors
- reviewing and verifying the nominations process
- recommending candidates with appropriate competencies and assessing and enhancing existing competencies
- ensuring adequate succession plans are in place
- establishing and monitoring the implementation and effectiveness of a selection policy, that ensures transparency and accountability

Members of the nomination committee are Neil Balnaves, Anne Keating and John Wright.

The nominations committee should meet at least once each year.

Independent directors

In determining the status of a director, the board has adopted the Macquarie managed funds definition of independent director.

To ensure the board has the benefit of regular new input and to avoid the potential for loss of objectivity over time, all independent directors should retire after 12 years from the date of their appointment with service prior to 2003 being weighted at 50%.

The importance of independence determined by objective criteria is acknowledged as being desirable to protect investor interests and optimise the financial performance of the Trust and returns to investors.

In determining the independence of a director, Macquarie has adopted the standards of independence required by the Macquarie Funds Management Activity Policy (Macquarie Fund Policy).

The Macquarie Fund Policy is designed to achieve independence from both the Trust and Macquarie.

- *The Corporate Governance in Macquarie managed funds summary is available on our website.*

Appointment criteria

The following guidelines apply to director selection and nomination.

Candidates for directorship must possess:

- integrity
- particular expertise (sector and functional) and the degree to which they complement the skill set of the existing board members
- reputation and standing in the market
- in the case of prospective independent directors, independence from Macquarie

The board of MLOL was appointed by Macquarie at the time of establishment of the new stapled structure in July 2003. Under the constitution of MLOL, directors are required to stand for reelection on a three year rotation.

For both the board of the Manager and of MLOL, a letter of appointment is issued to new independent directors to ensure they fully understand their responsibilities, and in the case of the Manager, the resources that will be provided to assist them in their role.

Chairman

Neil Balnaves, an independent director, has been appointed as chairman of the Manager and of MLOL.

The Chairman does not exercise the role of CEO, that role is performed by Greg Shaw.

Independent professional advice

The directors of the Manager and MLOL are entitled to obtain professional advice at the Manager and MLOL's expense, subject to the estimated costs being approved in advance by the chairman as being reasonable.

Board charters and delegations of authority

The board charters reflect the objectives, roles and responsibilities of the board of the Manager and MLOL. Each board may approve delegations of authority within set boundaries to management where appropriate, such as capital expenditure and aspects of property acquisitions and disposals.

- *The board charter of the Manager and MLOL are available on our website.*

Board codes of conduct

The codes of conduct (Codes) adopted by each board incorporate Macquarie's 'what we stand for' goals and values as well as additional principles and standards.

The Codes are intended to help directors and staff understand their responsibilities to uphold the goals and values to which Macquarie, the Manager and MLOL aspire and to conduct the business in accordance with applicable laws and regulations. Importantly, the codes are reflected in and supported by a broad range of Macquarie and MLOL's policies and procedures.

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The codes are periodically reviewed and any necessary amendments will be approved by each board.

- *The code of conduct of the Manager and MLOL are available on our website.*

Performance evaluation

The board is encouraged to pursue continuing education to update and improve their skills and knowledge.

The Macquarie executives on the boards, the CEO, CFO, compliance manager, company secretary and other Macquarie employees are subject to regular performance evaluations. The evaluation measures performance against set and qualitative indicators and is part of Macquarie's performance evaluation process. Individuals' contribution to the performance of the Trust is a significant factor in determining promotion and remuneration. MLOL executives are also subject to a performance appraisal process. The independent directors complete a performance evaluation. Performance evaluations are completed at least annually.

Notwithstanding the existence of a nomination committee for MLOL, Macquarie as the ultimate shareholder of the Manager, has the power to appoint and remove any nominated director, at any time. Given the potential performance based remuneration of the Manager, a strong incentive exists for Macquarie to appoint appropriately qualified, skilled and experienced directors and to monitor their effectiveness, that of the Boards and their committees.

- *The director performance evaluation guidelines that apply to independent directors are available on our website.*

Approval of financial statements

Sign-off letters

The CEO and CFO provide representation letters to the Manager for each reporting period in accordance with the ASX principles and the Corporations Act.

Audit committee membership

The Manager has appointed an audit committee, comprising:

- George Bennett – chairman and independent director
- Anne Keating – independent director
- Neil Balnaves – independent director.

Details of the number of meetings of the audit committee and the names of the attendees are disclosed in item 8 of the directors' report.

MLOL has appointed an audit committee comprising:

- Bruce Scott – chairman and independent director
- Anne Keating – independent director
- Neil Balnaves – independent director.

Details of the number of meetings of the audit committee and the names of the attendees are disclosed in item 8 of the directors' report.

Audit committee charter

The main objective of the audit committee is to assist the boards in reviewing matters of significance affecting financial reporting including:

- exercising oversight over the accuracy and completeness of the financial statements and their compliance with the Corporations Act
- making informed decisions regarding accounting policies, practices and disclosures
- reviewing the scope and results of external audits
- reviewing the results of Macquarie's internal audits

The committees meet at least three times a year and more frequently if required.

- *The audit committee charter for the Manager and for MLOL are available on our website.*

Risk management

The Manager and MLOL have each formulated risk management frameworks. In addition to the risk management framework, MLOL has operational health and safety (OH&S) and operational risk policies which are monitored by MLOL's Safety and Operational Risk committee.

Operational risks at the Trust level may include:

- market, regulatory and reporting risks
- financial risks (such as liquidity, interest rate, currency, investment and credit)
- legal risk (such as contract enforceability, covenants and litigation)
- other operational risks (such as people, processes, infrastructure, technology and systems)
- reputation risks (such as investor relations and media management)
- strategic risks.

The Manager is subject to periodic review by Macquarie's internal audit division. MLOL has its own internal audit function.

Prior to approving the financial statements, the CEO and CFO provide representation letters in accordance with the ASX Listing rules and the Corporations Act that address relevant operational risk management and internal compliance and controls.

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MLOL's Safety and Operational Risk committee has been appointed by the MLOL board to assist in addressing matter of significance relating to OH&S and safety and operational risk with MLOL.

The MLOL board delegated responsibility to oversee and review OH&S risk and safety and operational risk to the Safety and Operational Risk committee. Members of the committee are Bruce Scott, Greg Shaw and John Wright.

- *The Manager's and MLOL's risk management frameworks and MLOL's Safety and Operational Risk Committee charter are available on our website.*

Trading policy

Trading policies are in place, under which directors and staff of the Manager and MLOL are restricted in their ability to deal in securities. The trading policies reinforce the Corporations Act prohibition on trading while in possession of inside information. From time to time Trading Windows will be announced to allow trading in securities. In addition, trading by independent directors must be pre-cleared by the company secretary.

- *The trading policy for the Manager and MLOL is available on our website.*

Remuneration

Disclosure of remuneration

Manager

The Manager is entitled to be paid base and performance fees in accordance with the constitution.

Please see page 63 for details on the calculation of the base and performance fees off the Manager.

All executives involved in the management of the Trust are employees of Macquarie and are not remunerated by the Trust or the Manager. As neither the Trust nor the Manager pay any remuneration directly to executives of the Manager, the Manager considers that the requirement to disclose its remuneration policies (pursuant to recommendation 9.1 of the Current ASX principles) and to establish a remuneration committee (pursuant to recommendation 9.2) are not relevant to the Trust. There are no equity based executive remuneration schemes in operation, therefore the disclosure required by recommendation 9.4 is not relevant to the Trust.

The Manager considers the requirement to disclose such remuneration information is not relevant to the Trust. This represents a departure from the ASX principles (recommendations 9.1, 9.2, and 9.4).

MLOL

MLOL is required to disclose the remuneration of its directors and executives because it is a public company. These details are disclosed in the remuneration report and note 35 of the financial statements.

To assist the board of MLOL in establishing and managing its remuneration policy, a remuneration committee has been established to assist with:

- setting and reviewing remuneration framework
- determining recruitment, retention and termination framework
- reviewing and approving directors' remuneration
- reviewing and approving remuneration, incentive schemes, superannuation policies and promotions for senior management of MLOL entities such as the CEO, COO, CFO and any other senior management deemed appropriate
- reviewing bonus payments and incentive schemes.

Members of the committee are Neil Balnaves, Anne Keating and John Wright.

Details of the number of meetings of the remuneration committee and the names of the attendees are disclosed in item 8 of the directors' report.

Through its review of bonus payments, the committee is able to ensure that any amounts paid are linked to performance. MLOL has an equity based incentive scheme. There are no retirement benefit schemes for non-executive directors of the Manager or MLOL.

- *The charter of the remuneration committee is available on our website.*

Independent directors' fees

The Manager

To the extent to which the remuneration of independent directors relates to activities that are specifically required by external regulators, the Trust will pay this remuneration. This includes fees paid for compliance activities and service on the audit committee.

During the year, Messrs Balnaves, Bennett and Ms Keating were paid an amount of $16,000 each for compliance activities and $5,000, $10,000 and $5,000 respectively as members of the audit committee. Independent remuneration amounts are reviewed from time to time in consultation with external experts to ensure that remuneration reflects the services expected to be performed.

All other directors' fees paid to independent directors are paid by the Manager.

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MLOL

Independent directors of MLOL are paid fees for the services they provide to the Company. There is no option plan or any other form of equity participation scheme open to independent directors.

During the year, Messrs Balnaves, Scott and Ms Keating were paid $5,000, $10,000 and $5,000 respectively during the year as members of the audit committee. The full amount of these fees were paid by MLOL.

Communication with investors

Continuous disclosure

The boards believe that investors and the investment market should be informed of all material business events that may influence the price of the Group's securities.

The Manager has a continuous disclosure committee. This committee is responsible for ensuring the Group meets its disclosure obligations under ASX Listing Rule 3.1.

The Group lodges with ASX material, price sensitive information such as annual and half year results announcements and financial reports.

Investors can obtain up to date information on the Trust's various activities from its website (www.macquarie.com.au/mle).

- *The continuous disclosure guidelines are available on our website.*

Investor communications

The Manager and MLOL are dedicated to the provision and delivery of timely and relevant information to investors.

Investors may choose to receive an annual report and half yearly update and other investor communication.

The Group's website contains a selection of recent ASX announcements, media releases, past and current communications to investors and answers to frequently asked questions.

Analyst and road show presentations may be released to ASX and where appropriate are included on the Group's website.

- *The investor communications guidelines are available on our website.*

Annual Meetings

An Annual General Meeting of members is convened each year, usually in October or November.

For members' meetings, an explanatory memorandum on the resolutions is included with and forms part of the notice of meeting. Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote.

If securityholders cannot attend formal meetings, they may lodge a proxy in accordance with the Corporations Act. Proxy forms can be mailed or sent by facsimile.

- *Please visit the Group's website (www.macquarie.com.au/mle) for further information on the Group's corporate governance.*

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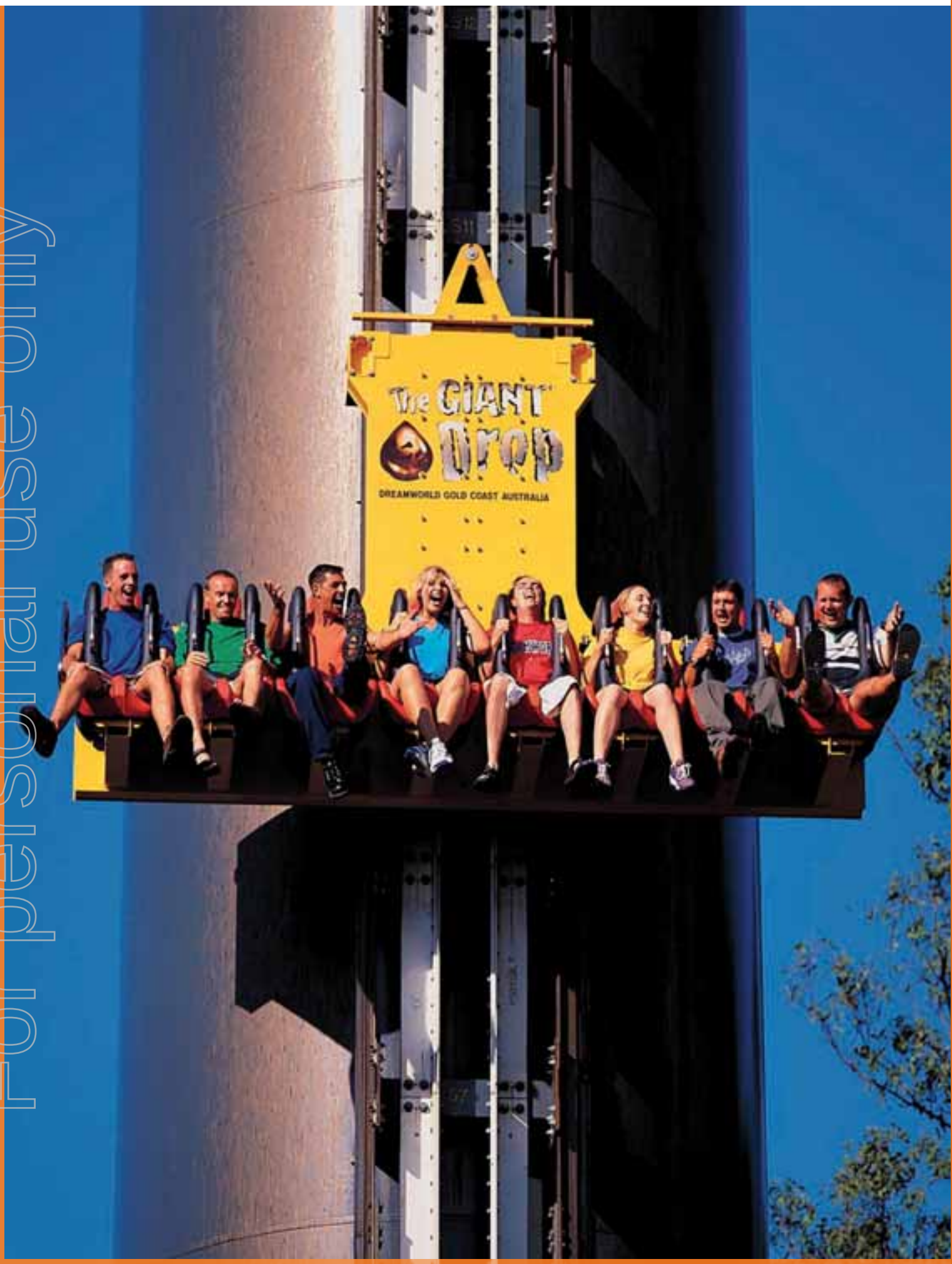

Dreamworld: The Giant Drop.

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The directors of Macquarie Leisure Management Limited (Manager, as Responsible Entity of Macquarie Leisure Trust) and the directors of Macquarie Leisure Operations Limited present their report for the Macquarie Leisure Trust Group (Group) for the year ended 30 June 2007. The Group comprises:

- Macquarie Leisure Trust (Trust) as the parent entity and its controlled entities; and
- Macquarie Leisure Operations Limited (MLOL) and its controlled entities.

The units of the Trust and the shares of MLOL are combined and issued as stapled securities in the Group. The units of the Trust and shares of MLOL cannot be traded separately and can only be traded as stapled securities. Although there is no ownership interest between the Trust and MLOL, the Trust is deemed to be the parent entity under Australian Accounting Standards.

1. Directors

The following persons have held office as directors of the Manager of the Trust during the year and up to the date of this report:

Neil Balnaves (Chairman)
George Bennett
Anne Keating
Simon Jones
John Wright (appointed 10 May 2007, resigned 10 May 2007 as alternate for Anthony Fehon and Simon Jones)
Anthony Fehon (resigned 10 May 2007).

The following persons have held office as directors of MLOL during the year and up to the date of this report:

Neil Balnaves (Chairman)
Anne Keating
Bruce Scott
John Wright (appointed 10 May 2007, resigned 10 May 2007 as alternate for Anthony Fehon)
Anthony Fehon (resigned 10 May 2007).

2. Principal activities

The Group's principal activity is to invest in the leisure and entertainment property market in Australia, New Zealand and the United States. The Group's activities expanded during the year to include investments in the United States.

3. Distributions

The distribution of income for the year ended 30 June 2007 was 17.1 cents per stapled security which was paid by the Trust. An interim distribution of 8.0 cents per stapled security was paid in February 2007. A final distribution for the year ended 30 June 2007 of 9.1 cents per stapled security will be paid in August 2007. A provision has not been recognised in the financial statements at 30 June 2007 as the distribution had not been declared at the reporting date.

4. Review of operations and significant changes in the state of affairs

The performance of the Group, as represented by the aggregated results of its operations for the year, was as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000
Total income	262,980	197,254
Profit before finance costs attributable to stapled security holders	47,857	38,037

On 20 July 2006, MLOL acquired an interest in the business of Sydney Boat Share for a total consideration of $250,000 excluding acquisition costs. A company structure was set up to operate the fractional boat ownership business in Sydney, New South Wales. MLOL owns a 56% interest of the parent company within this structure and Ocean Angel Holdings Pty Ltd owns the remaining 44%, which represents a minority interest in Sydney Boat Share Pty Limited.

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4. Review of operations and significant changes in the state of affairs (cont.)

On 1 August 2006, the Group acquired several businesses from Entertainment Development Group Pty Ltd for $11.7 million including acquisition costs. The businesses include two Kingpin bowling centres located in Richmond and within the Crown Entertainment Complex in Victoria, and associated amusement machine and leisure facilities also within the Crown Entertainment Complex.

On 30 August 2006, the Group purchased the shares of Main Event Entertainment Holdings Inc (Main Event) for a total cash consideration of $60.0 million (US$45.0 million) excluding the estimate for the earn out. Main Event is one of the largest operators of indoor family entertainment centres in the United States' southwest, with six sites located in Texas. A new site was opened on 8 May 2007.

Dreamworld's new waterpark, WhiteWater World, opened on 8 December 2006.

A new marina, Victoria Harbour, was opened on 22 December 2006.

On 19 March 2007, the Group purchased Panmure Superbowl, a New Zealand bowling centre, for NZ$1.7 million excluding acquisition costs.

On 22 May 2007, the Group acquired Village Bowl, a bowling centre in Adelaide, for $1.3 million excluding acquisition costs.

5. Value of assets

	Consolidated 2007 $'000	Consolidated 2006 $'000
Value of Group assets	704,135	458,254

The value of the Trust's assets is derived using the basis set out in Note 1 to the financial statements.

6. Interests in the Group

The movement in stapled securities of the Group during the year is set out below:

	Consolidated 2007	Consolidated 2006
Stapled securities on issue at the beginning of the year	182,867,614	179,039,599
Stapled securities issued during the year	33,948,627	3,828,015
Stapled securities bought back during the year as part of MLOL's executive securities plan	(669,395)	–
Stapled securities on issue at the end of the year	216,146,846	182,867,614

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7. Information on current directors

Director	Experience	Special responsibilities	Interest in stapled securities of the Trust
Neil Balnaves Director of the Manager and MLOL	Appointed: Macquarie Leisure Management Limited – 26 October 2001. Macquarie Leisure Operations Limited – 28 April 2003. Age: 63. Neil has worked in the entertainment and media industries for over 40 years and is widely regarded as one of Australia's leading entertainment executives. Neil is a director of Southern Cross Broadcasting (Australia) Limited, Sevanlab Investments Pty Ltd, Rigby Hall Pty Ltd, Bond University Limited and Technicolor Pty Ltd and chairman of Endemol Southern Star Pty Ltd. Neil also serves on the boards of numerous advisory and community organisations as well as administering the Balnaves Foundation, a philanthropic fund that supports the fields of medicine and the arts. He was executive chairman of Southern Star Group Limited from 1987 to 2005. Neil is a foundation fellow of the Australian Institute of Company Directors.	Chairman of the Manager and MLOL Chairman of the MLOL remuneration committee Member of the Manager and MLOL audit committees Chairman of the MLOL nomination committee	196,000
George Bennett Director of the Manager	Appointed 30 March 1998. Age: 76. As the former executive chairman of KPMG Peat Marwick in Australia and a member of the KPMG International Executive Committee, George brings strong corporate governance experience to the board. He is a director of Australian Pipeline Limited, Macquarie Office Management Limited, manager of Macquarie Office Trust, Fantastic Holdings Limited and several private companies. He was a director of Brazin Limited. George is a fellow of The Institute of Chartered Accountants in Australia.	Chairman of the Manager audit committee	130,902
Anne Keating Director of the Manager and MLOL	Appointed: Macquarie Leisure Management Limited – 30 March 1998. Macquarie Leisure Operations Limited – 28 April 2003. Age: 53. Anne has over 20 years experience in the international airline industry. Her last executive role was as general manager of United Airlines in Australia. Anne now runs her own consulting business. She is a director of STW Communications Group Limited, SSR Holdings Pty Limited, Goodman Group and is a member of the Advisory Council ABN Amro Australia Pty Limited. Anne was a director of Insurance Australia Group Limited and Victor Chang Cardiac Research Limited. She has been a delegate to the Australian American Leadership Dialogue since 1994 and is a governor of the Cerebral Palsy Foundation.	Member of the Manager and MLOL audit committees Member of MLOL remuneration committee	49,700

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7. Information on current directors (cont.)

Director	Experience	Special responsibilities	Interest in stapled securities of the Trust
Simon Jones Director of the Manager	Appointed 18 May 2005. Age: 42. Simon is an executive director of Macquarie Bank Limited and co-head of Macquarie Real Estate Capital. He is responsible for overseeing the management of over $17 billion in property funds. Simon is chairman of Macquarie Direct Property Management Limited, the manager of several unlisted property trusts and Macquarie Office Management Limited, manager of Macquarie Office Trust and an alternate director of Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust. Simon is a certified practising accountant and has a Graduate Diploma from the Financial Services Institute of Australasia and a BCom from the University of New South Wales.	–	–
Bruce Scott Director of MLOL	Appointed 28 April 2003. Age: 49. Bruce has over 25 years experience in business and investment management. In particular, his company manages in excess of $400 million of investments in private companies. Bruce is managing director of NBC Capital Pty Ltd and a director of Noble Water Limited and a number of private companies. He was previously a director of Trinity Consolidated Limited. Bruce is a member of the Australian Institute of Superannuation Trustees and the Australian Institute of Management and a fellow of the Australian Institute of Company Directors.	Chairman of MLOL audit committee Member of MLOL safety committee	25,208
John Wright Director of the Manager and MLOL	Appointed: Macquarie Leisure Management Limited – 10 May 2007. Macquarie Leisure Operations Limited – 10 May 2007. Alternate director for Macquarie Leisure Management Limited and Macquarie Leisure Operations Limited from May 2005 – May 2007). Age: 54. John brings extensive operational funds management skills to the boards. He is an executive director of Macquarie Bank Limited and has been responsible for the administration of the Trust since its inception. John has over 30 years experience in chartered accounting, investment banking and funds management. He is an alternate director Macquarie DDR Management Limited, manager of Macquarie DDR Trust and Macquarie Direct Property Management Limited, manager of several unlisted property trusts. He was an alternate director Macquarie CountryWide Management Limited, manager of Macquarie CountryWide Trust and Macquarie ProLogis Management Limited, manger of Macquarie ProLogis Income Trust and Macquarie ProLogis Trust which were delisted in July 2007. John is a chartered accountant and has a BEc from the University of Sydney.	Company secretary of the Manager and MLOL Chairman of MLOL safety committee Member of MLOL remuneration committee Member of MLOL nomination committee	–

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8. Meetings of directors

The attendance at meetings of directors of the Manager during the year is set out in the following table:

Name	Full meetings of directors		Meetings of audit committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Neil Balnaves	10	8	3	2
George Bennett	10	10	3	3
Anne Keating	10	10	3	3
Simon Jones	10	6	–	–
John Wright	3	3	–	–
Anthony Fehon	7	7	–	–

The attendance at meetings of directors of MLOL during the year is set out in the following table:

Name			Meetings of committees							
	Full meetings of directors		Audit		Nomination		Remuneration		Safety	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Neil Balnaves	16	16	4	3	1	1	3	3	–	–
Anne Keating	16	16	4	4	–	–	3	3	–	–
Bruce Scott	16	12	4	4	–	–	–	–	6	5
John Wright	4	4	–	–	–	–	–	–	1	1
Anthony Fehon	12	12	–	–	1	1	3	3	5	5

9. Company secretaries

The Group's company secretaries are John Wright CA, BEc and Sharon Palmer CA, ACIS, BBus for MLOL and John Wright and Kara Nicholls FCIS, AICD, BBus, for the Manager.

John Wright was appointed to the position of secretary in 2003. John was also appointed director of the Manager and MLOL in May 2007 and his experience is included in section 7 of this directors' report.

Sharon was appointed to the position of secretary of MLOL in 2003. Sharon is the group finance manager and MLOL and has been involved with the Group's operations since 1999. Sharon is a chartered accountant and chartered secretary and has more than 15 years commercial experience in both the tourism and leisure industries.

Kara was appointed to the position of secretary of MLML in February 2007. With over 10 years experience in real estate and equity capital markets, Kara brings extensive knowledge of listing rules, compliance, corporate governance and administration to the board. Kara is the company secretary of a majority of the entities within Macquarie's Real Estate Capital division, including the management companies of the listed property trusts. Prior to joining Macquarie Bank in 2003, Kara spent six years at the Australian Securities Exchange. Kara is a chartered secretary and a member of the Australian Institute of Company Directors. She holds a BBus from the University of Technology, Sydney and is a fellow of Chartered Secretaries Australia.

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10. Remuneration report

The directors of MLOL present the remuneration report for the Group prepared in accordance with section 300A of the Corporations Act 2001 for the year ended 30 June 2007.

The remuneration report is set out under the following main headings:

(a) Principles used to determine the nature and amount of remuneration;

(b) Details of remuneration;

(c) Service agreements; and

(d) Executive Securities Plan (ESP)

(e) Additional information – unaudited.

The information provided under headings (a) to (d) includes remuneration disclosures that are required under AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in section 10(e) of the directors' report are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

(a) Principles used to determine the nature and amount of remuneration

The objective of the Group's executive framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for stapled security holders, and conforms with market best practice for delivery of reward.
The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to stapled security holders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to stapled security holders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in security price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to stapled security holder growth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

(i) Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board after review and approval of the framework by the remuneration committee. The non-executive directors' fees and payments are in line with those paid by other entities in the Group's comparative peer group.

(ii) Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2006. Non-executive directors who chair/and are a member of a committee receive additional yearly fees.

The aggregate sum of the fees payable by the Group to the non-executive directors currently stands at a maximum of $400,000 per annum. Non-executive directors' fees are determined within the aggregate non-executive directors' fee pool limit. Changes to this limit will periodically be recommended to stapled security holders for approval.

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10. Remuneration report (cont.)

(a) Principles used to determine the nature and amount of remuneration (cont.)

(iii) MLOL executive pay

The executive pay and reward framework has three components:

- base pay and benefits;
- performance incentives; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

MLOL base pay

This is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases fixed in any senior executives' contracts.

MLOL incentives

Should MLOL achieve a pre-determined profit target set by the remuneration committee, then a pool of incentives is available for executives for allocation during the annual review. Cash incentives (bonuses) are payable in cash by 30 September each year. Using a profit target ensures variable award is only available when value has been created for stapled security holders and when profit is consistent with the business plan.

Each year, the remuneration committee considers the appropriate target and key performance indicators (KPIs) for each of the executives. For the year ended 30 June 2007, the KPIs linked to incentives were based on Group, individual business and personal objectives. The KPIs require performance in increasing revenue, reducing operating costs and achieving specific targets in relation to key financial and strategic measures. The bonus payments are at the discretion of the remuneration committee.

Main Event Entertainment LP (Main Event), a wholly-owned limited partnership of MLOL, is obliged to pay Dave Smith and Neil Hupfauer a bonus entitlement with respect to Main Event trading, as detailed below:

- a lump sum fee each of US$125,000 for every new family entertainment centre for which a site is identified on behalf of Main Event and is either under contract or lease during the term of their employment; and
- 12.5% of EBITDA for the first complete fiscal year of operation achieved by each new site which is above a 20% return on investment for that new site based on total investment.

(iv) Other performance incentive contracts

The Group was obliged to honour a performance incentive contract originally entered into by Omni Leisure Operations Limited (Omni) with Greg Shaw at the time he was appointed as chief executive officer and a director of Omni on 11 March 2002.

Subject to certain conditions being met, the incentive contract obliged the Group to make a payment equal to the increase in value of a notional portfolio of 1,000,000 Macquarie Leisure Trust Group (ASX: MLE) stapled securities based on a notional strike price of $0.666 per stapled security. One-third of the value of the performance incentive vested on 11 March 2004, another one-third vested on 11 March 2005 and the remaining one-third vested on 11 March 2006 being the fourth anniversary of Greg Shaw commencing employment with Omni.

As part of the June 2003 Macquarie Leisure Trust Group restructure, certain assets and liabilities of Omni (including this performance incentive) were assigned to the Group. At the time Greg Shaw became an employee of Macquarie Bank Limited (MBL) in June 2003, the benefit of this incentive contract was assigned by him to MBL.

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10. Remuneration report (cont.)

(b) Details of remuneration

Details of the remuneration of directors and other executives of both the Manager and MLOL are set out in the following tables:

2007	Short term benefits		Post employment benefits		Other long term benefits			
	Salary	Bonus	Super-annuation	Retirement	Retention	Other	Security based payments	Total
	$	$	$	$	$	$	$	$
Key management personnel								
Executive directors:								
Simon Jones[1]	–	–	–	–	–	–	–	–
John Wright[2]	–	–	–	–	–	–	–	–
Anthony Fehon[3]	29,202	–	2,628	–	–	–	–	31,830
Independent directors:								
Neil Balnaves[2]	97,248	–	8,752	–	–	–	–	106,000
George Bennett[1]	23,853	–	2,147	–	–	–	–	26,000
Anne Keating[2]	69,725		6,275	–	–	–	–	76,000
Bruce Scott[4]	66,972		6,028	–	–	–	–	73,000
Other personnel:								
Greg Shaw[5] Chief Executive Officer	118,000	–	–	–	–	–	–	118,000
Richard Johnson[5] Chief Financial Officer	98,000	–	–	–	–	–	–	98,000
Stephen Gregg CEO – Dreamworld	332,314	99,000	12,686	–	–	–	8,658	452,658
Roy Menachemson CEO – Bowling Operations Australia	267,800	48,750	79,886	–	–	–	5,766	402,202
Lachlan MacLean CEO – d'Albora Marinas	177,314	35,000	12,686	–	–	–	5,766	230,766
Dave Smith[6] CEO – Main Event Entertainment	221,022	–	–	–	–	–	–	221,022
Neil Hupfauer[6] President – Main Event Entertainment	221,022	–	–	–	–	–	–	221,022
	1,722,472	**182,750**	**131,088**	**–**	**–**	**–**	**20,190**	**2,056,500**

No termination benefits were paid during the financial year.

(1) Director of the Manager only.

(2) Directors of the Manager and MLOL.

(3) Anthony Fehon resigned as a director of the Manager and MLOL on 10 May 2007.

(4) Director of MLOL only.

(5) Greg Shaw and Richard Johnson are remunerated by MBL. The amounts in the table represent reimbursements by MLOL to MBL of part of their remuneration costs for their roles as CEO and CFO of MLOL.

(6) Dave Smith and Neil Hupfauer commenced employment with MLOL on 31 August 2006.

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10. Remuneration report (cont.)

(b) Details of remuneration (cont.)

2006	Short term benefits		Post employment benefits		Other long term benefits			
	Salary $	Bonus $	Super-annuation $	Retirement $	Retention $	Other $	Security based payments $	Total $
Key management personnel								
Executive directors								
Simon Jones[1]	–	–	–	–	–	–	–	–
John Wright[2]	–	–	–	–	–	–	–	–
Anthony Fehon[3]	33,945		3,055	–	–	–	–	37,000
Independent directors								
Neil Balnaves[2]	76,147	–	6,853	–	–	–	–	83,000
George Bennett[1]	13,761	–	1,239	–	–	–	–	15,000
Anne Keating[2]	48,624	–	4,376	–	–	–	–	53,000
Bruce Scott[4]	50,459	–	4,541	–	–	–	–	55,000
Other personnel								
Greg Shaw[5] Chief Executive Officer	115,938	–	–	–	–	–	–	115,938
Richard Johnson[5] Chief Financial Officer	96,063	–	–	–	–	–	–	96,063
Stephen Gregg CEO – Dreamworld	317,861	60,000	12,139	–	–	–	–	390,000
Roy Menachemson CEO – Bowling Operations Australia	325,000	54,166	12,139	–	–	–	–	391,305
Lachlan MacLean CEO – d'Albora Marinas	162,861	34,875	12,139	–	–	–	–	209,875
	1,240,659	**149,041**	**56,481**	**–**	**–**	**–**	**–**	**1,446,181**

No termination benefits were paid during the financial year.

(1) Director of the Manager only.

(2) Directors of the Manager and MLOL.

(3) Anthony Fehon resigned as a director of the Manager and MLOL on 10 May 2007.

(4) Director of MLOL only.

(5) Greg Shaw and Richard Johnson are remunerated by MBL. The amounts in the table represent reimbursements by MLOL to MBL of part of their remuneration costs for their roles as CEO and CFO of MLOL.

(6) Dave Smith and Neil Hupfauer commenced employment with MLOL on 31 August 2006.

Greg Shaw and Richard Johnson are employed by MBL. A percentage of their employment costs reflecting time dedicated to Group CEO and CFO roles are charged to the Group.

There are no cash bonuses or options paid or forfeited with respect to the executive directors. There are no cash bonuses or options forfeited with respect to specified executives not previously disclosed.

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10. Remuneration report (cont.)

(c) Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Each of these agreements provides for the provision of performance related cash bonuses. Other major provisions of the agreements relating to remuneration are set out below. All contracts with executives may be terminated early by either party with up to three months' notice, subject to termination payments.

Roy Menachemson – Chief Executive Officer, Bowling Operations

- Initial term of agreement – 5 years commencing 8 February 2005
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $347,686 to be reviewed annually by the remuneration committee
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for the remaining term of the agreement.

Stephen Gregg – Director of Business Developments and Chief Executive Officer, Dreamworld

- Commenced employment 1 May 2004
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $345,000 to be reviewed annually by the remuneration committee
- Employment shall continue with the Group, unless and until determined by either party giving to the other, one month's notice in writing or by the Group making to the employee, a payment in lieu of notice of three months' base salary.

Lachlan MacLean – Chief Executive Officer, d'Albora Marinas

- Commenced employment 10 February 2003
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $190,000 to be reviewed annually by the remuneration committee
- Employment shall continue unless and until determined by either party giving to the other, one month's notice in writing.

Dave Smith – Chief Executive Officer, Main Event Entertainment

- Commenced employment 31 August 2006, for a term of one year and three months ending 29 November 2007
- Base salary for the year ended 30 June 2007 of $265,371
- Entitled to a lump sum fee of US$125,000 for each new family entertainment centre for which a site is identified during term of employment after opening the Webster and Lubbock centres
- If employed at time, will receive a bonus equal to 12.5% of EBITDA for first complete fiscal year of operation achieved by each new site which is above 20% return on investment (ROI)
- Employment shall continue unless terminated earlier or extended by mutual agreement, until 29 November 2007.

Neil Hupfauer – President, Main Event Entertainment

- Commenced employment 31 August 2006, for a term of one year and three months ending 29 November 2007
- Base salary for the year ended 30 June 2007 of $265,371
- Entitled to a lump sum fee of US$125,000 for each new family entertainment centre for which a site is identified during term of employment after opening the Webster and Lubbock centres
- If employed at time, will receive a bonus equal to 12.5% of EBITDA for first complete fiscal year of operation achieved by each new site which is above 20% ROI
- Employment shall continue unless terminated earlier or extended by mutual agreement, until 29 November 2007.

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10. Remuneration report (cont.)

(d) Executive securities plan (ESP)

In October 2006, MLOL's executive securities plan was established, whereby eligible MLOL executives are provided the opportunity to acquire stapled securities in the Group (referred to as Plan Securities).

Under the ESP, the Plan Securities are acquired at market price and are held in the executives' names. The acquisition cost is funded by a non-recourse loan provided by the Trust, secured by a mortgage over the Plan Securities. While the Plan Securities are pledged as security for the loan or are the subject of vesting criteria (detailed below), the Plan Securities cannot be sold, transferred or otherwise disposed of.

One-third of the Plan Securities will vest on the second, third or fourth anniversaries respectively from the date of grant if the vesting criteria are met on the relevant anniversary.

For the vesting criteria to be met, the executive must be an employee of MLOL at the time, and the Total Shareholder Return (TSR) requirements must be achieved.

In order to meet the TSR requirement, the Group's TSR is compared to a Benchmark Index, comprised 50% the accumulated Property Trust 300 Index and 50% the accumulated ASX 300 Small Ords Index.

- where the Benchmark Index is below 12.5%, the vesting criteria will be a TSR of 12.5%;
- where the Benchmark Index is above 12.5%, the vesting criteria will be the Benchmark Index return; and
- where TSR is above the Benchmark Index return but below 12.5%, the board will have discretion on vesting.

The loan has a four year term and is subject to interest calculated at the Trust's funding cost, which at 30 June 2007 was 6.73% per annum. Interest is payable six monthly at the time the distributions are paid on the Plan Securities. All distributions received by executives on the Plan Securities must be used to pay interest accrued on the loan. If there is any shortfall between the accrued interest and distributions paid, the executive must pay the shortfall.

On repayment of the loan, if the value of the Plan Securities transferred is less than the total amount of the loan owing by the executive to the Trust, no further amount is repayable by the executive.

The loan will become immediately repayable on termination of employment. Plan Securities that have not vested must be sold to repay the loan in full. If the Plan Securities have vested, the loan must be repaid within three months from termination date.

Under the requirement of AASB 2 Share Based Payment, loans granted under the ESP are accounted for as options to employees because of the non-recourse loan feature. Options were granted to executives on 30 November 2006. One-third of the options granted will vest on 30 November 2008, 30 November 2009 and 30 November 2010. The fair value of these options at grant date was calculated as 25.7 cents per security.

	Opening balance	Granted as compensation	Exercised	Other changes	Closing balance	Exercise price of options granted	Vested and exercisable	Unvested
Stephen Gregg	–	149,999	–	–	149,999	$3.00	–	149,999
Lachlan MacLean	–	99,894	–	–	99,894	$3.00	–	99,894
Roy Menachemson	–	99,894	–	–	99,894	$3.00	–	99,894
	–	**349,787**	**—**	**–**	**349,787**	**–**	**–**	**349,787**

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10. Remuneration report (cont.)

(d) Executive securities plan (ESP) (cont.)

The options were valued on 30 November 2006 by an independent valuer as 25.7 cents per security. The valuation took into account the following inputs:

- valuation date: 30 November 2006;
- expiry date: 30 November 2010;
- underlying stapled security price: $3.00;
- exercise price: $3.00;
- expected distribution yield: 6% per annum;
- risk-free interest rate: 5.885% per annum;
- expected price volatility – Macquarie Leisure Trust Group: 23.5% per annum; and
- employee exit rate: 2% per annum.

(e) Additional information – unaudited

Performance of Macquarie Leisure Operations Limited

The earnings per share for the Group has increased by 174% over the past four years compared to a 98% increase in key management personnel compensation.

Details of remuneration: cash bonuses and options

All service and performance criteria were met by executives eligible for a bonus with respect to their performance in the 30 June 2006 financial year. These bonuses were paid during the year and no amounts were forfeited. No part of the bonuses is payable in future years. Bonuses with respect to performance within the 30 June 2007 financial year have been accrued; however, these amounts have not yet been approved by the remuneration committee or attributed to these executives.

Each grant of options is included in the below table, including the percentage of the available grant that was paid or vested in the financial year and the percentage that was forfeited because the service or performance criteria was not met. Options granted vest over varying periods of two, three and four years, provided the vesting conditions are met (see part (d) executive securities plan). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Year granted	Vested %	Forfeited %	Financial years in which most options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Stephen Gregg	2006	–	–	2008 (50,000) 2009 (50,000) 2010 (49,999)	–	38,550
Lachlan MacLean	2006	–	–	2008 (33,298) 2009 (33,298) 2010 (33,298)	–	25,673
Roy Menachemson	2006	–	–	2008 (33,298) 2009 (33,298) 2010 (33,298)	–	25,673

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11. Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are disclosed in Note 9 to the financial statements.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 9 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board (APES) 100 Code of Ethics for Professional Accountants.

12. 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 46.

13. Events occurring after reporting date

On 31 July 2007, the Group agreed to acquire Goodlife Health Club Holdings Pty Ltd for $60 million. The business operates 18 leasehold fitness centres in Australia, comprising 13 sites in Queensland, four sites in Victoria and one site in New South Wales. Three further sites are in the planning stage with another established site under a call option. The completion of the transaction remains subject to the assignment of property leases.

Subsequent to year end, a distribution of 9.1 cents per stapled security has been declared by the Board of Directors. The total distribution amount of $19.7 million will be paid on 30 August 2007 in respect of the half year ended 30 June 2007.

Subsequent to the end of the financial year, the financial markets have undergone a period of significant volatility due to US sub-prime debt concerns. Whilst the Group has no direct exposure to the sub-prime debt market, there is a risk that the flow-on effects of this could impact future debt raisings and property valuations. The volatility has also impacted the USD/AUD exchange rate and should the rate remain at current levels for the remainder of the financial year, this could result in an increase in the value of the assets and liabilities of the Group, all other matters remaining unchanged. As at the date of this report, other than exchange rate movements the directors are not aware of any impact to the Group.

Since the end of the financial year, the directors of the Manager and MLOL are not aware of any matter or circumstance not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2007.

14. Likely developments and expected results of operations

The extent to which the US sub-prime debt concerns that have arisen subsequent to year end will have an impact, if any, on the Group's operations is unknown. These developments have the potential to influence property market valuations and the ability of borrowers, including the Group, to raise debt and capital. There has been no impact on the Group from this event to date.

At the date of this report and to the best of the directors' knowledge and belief, there are no other anticipated changes in the operations of the Group which would have a material impact on the future results of the Group. Property valuation changes, movements in the fair value of derivative financial instruments and movements in foreign exchange and interest rates may have a material impact on the Group's results in future years; however, these cannot be reliably measured at the date of this report.

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15. Indemnification and insurance of officers and auditor

Manager

No insurance premiums are paid for out of the assets of the Trust in regards to insurance provided to either the officers of the Manager or the auditor of the Trust. So long as the officers of the Manager act in accordance with the Trust Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Group. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

MLOL

Under MLOL's Constitution, MLOL indemnifies:

- all past and present officers of MLOL, and persons concerned in or taking part in the management of MLOL against all liabilities incurred by them in their respective capacities in successfully defending proceedings against them; and
- all past and present officers of MLOL against liabilities incurred by them, in their respective capacities as an officer of MLOL, to other persons (other than MLOL or its related parties), unless the liability arises out of conduct involving a lack of good faith.

During the reporting period, MLOL had in place a policy of insurance covering the directors and officers against liabilities arising as a result of work performed in their capacity as directors and officers of MLOL.

16. Fees paid to and interests held in the Trust by the Manager or its associates

The interests in the Trust held by the Manager or its related entities as at 30 June 2007 and fees paid to its related entities during the financial year are disclosed in Notes 7 and 35 to the financial statements.

17. Environmental regulations

The operations of the Group are subject to significant environmental regulations under both Commonwealth and State legislation in relation to activities such as land and property development and fuel storage.

(a) Dreamworld and WhiteWater World

Dreamworld and WhiteWater World theme parks are subject to various legislative requirements in respect of environmental impacts of its operating activities.

The Queensland Environmental Protection Act 1994 (Act) regulates all activities where a contaminant may be released into the environment and/or there is a potential for environmental harm or nuisance. In accordance with Schedule 1 of the Environmental Regulation 1998, Dreamworld holds licences or approvals for the operation of a helipad, motor vehicle workshop, train-shed and storage and usage of flammable/combustible goods. During the reporting year, Dreamworld and WhiteWater World complied with all requirements of the Act.

Management introduced a range of initiatives to further improve environmental performance. A waste recycling program was successfully implemented into both parks to minimise glass and plastic waste and promote the benefits of recycling to the wider community. A new waste removal infrastructure was introduced to utilise and reuse 'green' waste, whilst reducing general land fill waste. An environment committee was also formed to introduce a range of pro-active environmental initiatives.

Dreamworld's noise conservation program ensures that noise emissions emanating from park activities do not contravene State regulations or adversely impact surrounding neighbours. Local government regulations for the staging of night time events and functions were complied with at all times.

Dreamworld has further developed its water conservation program with the introduction of a Water Efficiency Management Plan (WEMP). The WEMP details a wide range of water conservation initiatives to comply with stringent local government water restrictions.

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17. Environmental regulations (cont.)

(a) Dreamworld and WhiteWater World (cont.)

Dreamworld's Life Sciences Department is subject to the Quarantine Act 1908. In accordance with the Australian Quarantine Regulations, Dreamworld holds an approved post-arrival facilities licence and an approved zoo permit. In accordance with the Nature Conservation Act 1992 and the Nature Conservation Regulation 1994, Dreamworld holds a 'Wildlife Exhibitors Licence' and in accordance with the Land Protection (Pest and Stock Route Management) Regulation 2003, Dreamworld holds a 'Declared Pest Permit'. All licences and permits remain current and Dreamworld has complied fully with the requirements of each.

There are two water licences for the Dreamworld/WhiteWater World property. These relate to water conservation and irrigation purposes. These licences were renewed in accordance with the Water Act 2000. There have been no issues or events of non-compliance recorded by management or the regulatory authorities regarding water use.

(b) d'Albora Marinas

Schedule 1 Environment Protection Licences are held for all five NSW marinas in the portfolio in accordance with the Protection of the Environment Operations Act 1997 (NSW).

During the course of the reporting year, there were 15 reported environmental incidents throughout the portfolio, which were immediately reported to the relevant authorities, including management's actions. These incidents were minor in nature and did not result in further action. d'Albora Marinas acted in co-operation with the NSW Environmental Protection Authority (EPA) and other government agencies to protect the environment at its NSW marinas.

There are no specific environmental licence requirements in Victoria relating to the Pier 35 or Victoria Harbour marinas.

In July 2002, the NSW EPA was notified of long term historic groundwater contamination at the Rushcutters Bay marina, and the plan to manage the contamination. d'Albora Marinas has been working in consultation with the EPA to rectify the site contamination.

(c) Bowling centres

Bowling centre wholly-owned subsidiaries are subject to environmental regulations concerning their food facilities. This is primarily trade waste and grease traps. The Group has adequate management systems and the correct licence requirements in place concerning the disposal of such waste in accordance with each State or Territory's legislation. Cooking oil is replaced and disposed of by external organisations at all locations.

All hazardous substances are disposed of according to manufacturers and EPA regulations. A register of all hazardous substances and dangerous goods is located at centre level.

Lane cleaning and maintenance products are largely water based products, excluding approach cleaner, which is a solvent based product. This product is disposed of in accordance with each State and Territory's EPA requirements. Noise is adequately monitored for both internal and external environmental breaches. Noise emissions fall within acceptable levels for both residential and industrial areas and all EPA requirements. No complaints have been received since acquisition of the business.

(d) Bowling centres – New Zealand

There are no specific requirements relating to the New Zealand centres that are not reflected in the above statement.

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17. Environmental regulations (cont.)

(e) Family entertainment centres – United States of America

Main Event Entertainment (Main Event) is subject to various Federal, State and Local environmental requirements with respect to development of new centres in the United States of America. On the Federal level, the Environmental Protection Agency is responsible for setting national standards for a variety of environmental programs, and delegates to States the responsibility for issuing permits and for monitoring and enforcing compliance. The Texas Commission on Environmental Quality is the environmental agency of record for the State.

A prerequisite for any building permit for new centre construction is full compliance with all city and State planning and zoning ordinances. A building permit, depending on locality, may require soils reports, site line studies, storm water and irrigation regulation compliance, asbestos-free reports, refuse and grease storage permits, health and food safety permits, and complete Occupational Health and Safety Administration (OHSA) Material Safety Data Sheets (MSDS) documentation.

With respect to operating activities, OSHA requires that MSDS be available to all Main Event employees for explaining potentially harmful chemical substances handled in the workplace under the Hazard Communication regulation. The MSDS is also required to be made available to local fire departments and local and State emergency planning officials under section 311 of the Emergency Planning and Community Right-to-Know Act.

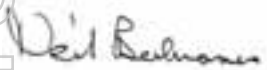
At this time, there are no known issues of non-compliance with any environmental regulation at Main Event.

The Group is not subject to any other significant environmental regulations and there are adequate systems in place to manage its environmental responsibilities.

18. Rounding of amounts to the nearest thousand dollars

The Group is a registered scheme of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

This report is made in accordance with a resolution of the Boards of Directors of Macquarie Leisure Management Limited and Macquarie Leisure Operations Limited.



Neil Balnaves

Chairman

Sydney, 29 August 2007

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Auditor's independence declaration

As lead auditor for the audit of Macquarie Leisure Trust Group for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Macquarie Leisure Trust Group, which includes Macquarie Leisure Trust and Macquarie Leisure Operations Limited and the entities they controlled during the period.

Timothy J. Allman
Partner
PricewaterhouseCoopers

Brisbane, 29 August 2007

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Income Statements

for the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Income					
Revenue from operating activities	4	247,510	181,622	63,123	54,782
Property valuation gains – investment properties		13,528	11,922	75,394	76,229
Net gain on derivative financial instruments		714	59	714	59
Interest income		1,031	884	6,137	1,215
Other income		197	2,767	199	2,767
Total income		**262,980**	**197,254**	**145,567**	**135,052**
Expenses					
Purchases of finished goods		33,080	25,693	–	–
Salary and employee benefits		85,986	60,836	–	–
Borrowing costs	5	8,223	6,422	8,207	6,422
Property expenses	6	33,082	19,385	22,126	16,916
Loss on sale of assets		64	924	–	511
Management base fee	7	2,572	2,050	2,572	2,050
Management performance fee	7	326	4,045	326	4,045
Advertising and promotions		12,772	11,956	–	–
Repairs and maintenance		12,880	9,012	–	–
Pre-opening expenses		1,914	–	–	–
Impairment of goodwill		4	1,474	–	–
Other expenses	8	21,271	16,535	1,511	1,249
Total expenses		**212,174**	**158,332**	**34,742**	**31,193**
Profit before tax expense and finance costs attributable to stapled security holders		**50,806**	**38,922**	**110,825**	**103,859**
US withholding tax expense		361	–	361	–
Income tax expense	10	2,588	885	–	–
Profit before finance costs attributable to stapled security holders		**47,857**	**38,037**	**110,464**	**103,859**
Finance costs attributable to stapled security holders*		–	(37,043)	–	(37,043)
Profit		**47,857**	**994**	**110,464**	**66,816**
Attributable to:					
Stapled security holders		48,420	994	110,464	66,816
Minority interest		(563)	–	–	–
Profit		**47,857**	**994**	**110,464**	**66,816**
Basic earnings per stapled security (cents)*	11	23.20	0.55	–	–
Diluted earnings per stapled security (cents)*	11	23.16	0.55	–	–
Distribution in respect of the year ended 30 June	12	36,778	26,368	–	–
Distribution per stapled security in respect of the year ended 30 June (cents)	12	17.10	14.50	–	–

* Due to the classification of the Trust's units on issue as financial liabilities for the period from 1 July 2005 to 23 December 2005, $37.0 million of the Trust's result (including unrealised valuation gains) for the year ended 30 June 2006 has been disclosed as a finance cost in the Income Statement. Since 23 December 2005, the units on issue are classified as equity, therefore finance costs will not be recorded in future periods. Refer also to Note 2.

The above Income Statements should be read in conjunction with the accompanying notes.

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Balance Sheets

as at 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current assets					
Cash and cash equivalents	32	17,962	15,928	5,838	3,126
Receivables	13	8,102	5,550	–	62
Derivative financial instruments	14	1,433	1,427	1,433	1,427
Inventories	15	6,430	3,933	–	–
Current tax receivables		729	344	–	–
Other	16	5,165	3,779	2,591	1,843
Total current assets		**39,821**	**30,961**	**9,862**	**6,458**
Non-current assets					
Investment properties	17	90,720	72,957	474,114	344,982
Property, plant and equipment	18	504,125	320,244	80,076	46,744
Construction in progress		–	18,648	–	18,648
Interest bearing receivables		–	–	84,423	8,752
Derivative financial instruments	14	2,410	–	2,410	–
Livestock		687	760	–	–
Intangible assets	19	63,904	11,407	594	693
Deferred tax assets	20	2,468	3,277	–	–
Investment in controlled entities	21	–	–	67	–
Total non-current assets		**664,314**	**427,293**	**641,684**	**419,819**
Total assets		**704,135**	**458,254**	**651,546**	**426,277**
Current liabilities					
Payables	22	37,824	30,511	5,751	8,268
Interest bearing liabilities	23	164	146	–	–
Current tax liabilities		527	–	–	–
Provisions	24	2,447	2,835	–	–
Other	25	1,622	856	–	–
Total current liabilities		**42,584**	**34,348**	**5,751**	**8,268**
Non-current liabilities					
Payables – minority interest	22	3,728	–	–	–
Interest bearing liabilities	23	162,925	99,490	162,787	99,155
Provisions	24	1,512	1,667	–	–
Deferred income tax liabilities	26	2,992	217	–	–
Total non-current liabilities		**171,157**	**101,374**	**162,787**	**99,155**
Total liabilities		**213,741**	**135,722**	**168,538**	**107,423**
Net assets		**490,394**	**322,532**	**483,008**	**318,854**
Equity					
Contributed equity	27	264,563	177,039	262,555	176,325
Reserves	29	161,984	104,569	3,996	8,231
Retained profits	30	63,847	40,924	216,457	134,298
Total equity		**490,394**	**322,532**	**483,008**	**318,854**

The above Balance Sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

for the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Total equity at the beginning of the year		**322,532**	**229,342**	**318,854**	**226,253**
Profit for the year		47,857	994	110,464	66,816
Net income recognised directly in equity					
– Cash flow hedges	29	1,667	1,296	1,667	1,296
– Revaluation of property, plant and equipment	29	64,342	66,380	–	–
– Security based payments	29	10	–	10	–
– Foreign exchange translation difference	29	116	(77)	–	–
		66,135	67,599	1,677	1,296
Total recognised income and expense for the year		**113,992**	**68,593**	**112,141**	**68,112**
Total recognised income and expense for the year is attributable to:					
Stapled security holders		114,555	68,593	112,141	68,112
Minority interest		(563)	–	–	–
		113,992	**68,593**	**112,141**	**68,112**
Units on issue classified as liabilities for part of year					
– Adjustment on adoption of AASB 132/139		–	(226,253)	–	(226,253)
– Reclassification of finance costs		–	37,043	–	37,043
– Reclassification to equity on 23 December 2005		–	226,253	–	226,253
		–	**37,043**	**–**	**37,043**
Transactions with minority interest					
– Loss attributable to minority interest recorded against minority interest liability		563	–	–	–
		563	**–**	**–**	**–**
Transactions with stapled security holders in their capacity as stapled security holders					
– Contributions of equity, net of issue costs	27	85,805	7,979	84,483	7,871
– Purchase of stapled securities for executive securities plan	27	(2,000)	–	(1,972)	–
– Performance fee securities	27	326	4,045	326	4,045
– Distributions paid and payable	30	(30,824)	(24,470)	(30,824)	(24,470)
Total transactions with stapled security holders in their capacity as stapled security holders		**53,307**	**(12,446)**	**52,013**	**(12,554)**
Total equity at the end of the year		**490,394**	**322,532**	**483,008**	**318,854**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

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Cash Flow Statements

for the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Cash flows from operating activities					
Receipts from customers		280,243	203,087	62,568	57,043
Payments to suppliers and employees		(204,342)	(137,787)	–	–
Property expenses paid		(15,523)	(15,805)	(15,191)	(15,771)
Other operating expenses paid		(3,605)	(3,085)	(3,577)	(3,083)
Proceeds upon the surrender of lease		–	2,727	–	2,727
Income tax paid		(1,134)	(1,706)	–	–
Interest received		1,761	1,259	6,137	1,440
US withholding tax paid		(313)	–	(313)	–
Net cash flows from operating activities	33(a)	**57,087**	**48,690**	**49,624**	**42,356**
Cash flows from investing activities					
Payment for property, plant and equipment		(91,934)	(37,316)	(70,545)	(36,818)
Proceeds from sale of plant and equipment		4	11	–	–
Proceeds from sale of land and buildings		–	21,740	–	7,240
Payment for purchase of controlled entity		–	(5,953)	–	–
Payment for purchase of businesses		(71,415)	–	(6,620)	–
Payment for livestock		–	(56)	–	–
Net cash flows from investing activities		**(163,345)**	**(21,574)**	**(77,165)**	**(29,578)**
Cash flows from financing activities					
Proceeds from borrowings		882,297	656,529	876,999	654,655
Repayment of borrowings		(817,710)	(655,168)	(813,367)	(653,500)
Borrowing costs		(9,165)	(7,458)	(9,360)	(7,458)
Acquisition of stapled securities		(2,000)	–	(2,000)	–
Proceeds from issue of stapled securities		74,704	–	73,378	–
Repayment of principal of finance lease		(179)	–	–	–
Payment of issue of shares		(1,197)	–	(1,197)	(31)
Payment of offer costs		–	(70)	–	(70)
(Decrease)/increase in loan from Trust to related parties		–	–	(75,674)	11,980
Distributions paid to stapled security holders		(18,526)	(16,431)	(18,526)	(16,431)
Net cash flows from financing activities		**108,224**	**(22,598)**	**30,253**	**(10,855)**
Net increase in cash and cash equivalents		1,966	4,518	2,712	1,923
Cash and cash equivalents at the beginning of the year		15,928	11,433	3,126	1,203
Effect of exchange rate changes on cash and cash equivalents		68	(23)	–	–
Cash at the end of the year	32	**17,962**	**15,928**	**5,838**	**3,126**

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 30 June 2007

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1. Summary of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report for the year ended 30 June 2007 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the requirements of the Trust Constitution, Australian Accounting Standards (which includes Australian Interpretations by virtue of AASB 1048), and the Corporations Act 2001.

This financial report consists of the consolidated financial report of Macquarie Leisure Trust Group (Group) which comprises Macquarie Leisure Trust (Trust) and its controlled entities including MLOL. Although there is no ownership interest between the Trust and MLOL, the Trust is deemed to be the parent entity under Australian Accounting Standards. As such, a consolidated financial report has been prepared for the Group as well as MLOL.

Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Disclosure and Presentation.

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, property, plant and equipment and derivative financial instruments held at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimation of fair values described in Note 1(f), Note 1(g), Note 1(k), Note 1(l), Note 1(o) and Note 1(aa) and assumptions related to deferred tax liabilities and impairment testing of goodwill, no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next annual reporting period.

(b) Principles of consolidation

The units of the Trust and the shares of MLOL are combined and issued as stapled securities in the Group. The units of the Trust and shares of MLOL cannot be traded separately and can only be traded as stapled securities. As the Trust is deemed to be the parent entity under Australian Accounting Standards, a consolidated financial report has been prepared for the Group as well as an individual financial report for MLOL. The consolidated financial report combines the financial report for the Trust and MLOL for the year. Transactions between the entities have been eliminated in the consolidated financial report of the Group.

Accounting for the Group is carried out in accordance with UIG 1013: Consolidated Financial Reports in Relation to Pre-Date-of-Transition Stapling Arrangements.

The financial report of the Group should be read in conjunction with the separate financial report of MLOL for the period.

(c) 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, highly 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.

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Notes to the financial statements

for the year ended 30 June 2007

1. Summary of significant accounting policies (cont.)

(d) Receivables

Receivables are carried at the amounts due to the Group less provision for doubtful debts. The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Group will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of goods held for resale is determined by weighted average cost. Cost of catering stores (which by nature are perishable) and other inventories is determined by purchase price.

(f) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are then stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Income Statement in the period in which they arise.

At each reporting date, the fair values of the investment properties are assessed by the Manager by reference to independent valuation reports or through appropriate valuation techniques adopted by the Manager.

Where an independent valuation is not obtained, the Manager's assessment of fair value is determined by using appropriate valuation techniques including the capitalisation of net income, discounted cash flows and independent assessments of market conditions and property values.

The use of independent valuers is on a progressive basis over a three year period, or earlier, where the Manager believes there may be a material change in the carrying value of the property.

The carrying amount of investment properties recorded in the Balance Sheet includes components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

As the fair value method has been adopted for investment properties, the buildings and any component thereof are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.

(g) Property, plant and equipment

Revaluation model

The revaluation model of accounting is used for each class of property, plant and equipment (PPE). Initially, PPE is measured at cost. Subsequently, PPE is carried at a revalued amount being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Revaluation movements are recorded in the asset revaluation reserve.

At each reporting date, the fair value of the PPE is assessed by the Manager by reference to independent valuation reports or through appropriate valuation techniques adopted by the Manager.

Where an independent valuation is not obtained, the Manager's assessment of fair value is determined by using appropriate valuation techniques including the capitalisation of net income, discounted cash flows and independent assessments of market conditions and property values.

The use of independent valuers is on a progressive basis over a three year period, or earlier, where the Manager believes there may be a material change in the carrying value of the property.

The carrying amount of PPE recorded in the Balance Sheet includes components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

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1. Summary of significant accounting policies (cont.)

(g) Property, plant and equipment (cont.)

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Buildings – 40 years;
- Leasehold improvements – over life of lease;
- Major rides and attractions – 20 to 40 years;
- Plant and equipment – 7.5 to 25 years;
- Furniture, fittings and equipment – 4 to 13 years; and
- Motor vehicles – 8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(l)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(h) Leases

Leases of property, plant and equipment (Note 18) where the Group has substantially all the risks and rewards of ownership are classified as finance leases (Note 23). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 39(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(i) Investments and other financial assets

Investments are carried at historical cost less any impairment charge.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method. The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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Notes to the financial statements

for the year ended 30 June 2007

1. Summary of significant accounting policies (cont.)

(j) Livestock

Livestock is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the animals.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other maintenance expenditure is charged to the Income Statement during the financial period in which it is incurred.

Depreciation on livestock is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over the useful lives of the assets which range from five to 50 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(l)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(k) Intangible assets

Intellectual property

Intellectual property purchased is amortised on a straight-line basis over the period during which benefits are expected to be received, which is seven years.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill on acquisition of entities is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each primary reporting segment.

(l) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. The amounts are unsecured and are usually paid within 30 or 60 days of recognition.

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1. Summary of significant accounting policies (cont.)

(n) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial measurement they are measured at amortised cost. Finance leases are recognised as interest bearing liabilities to the extent that the Group retains substantially all the risks and rewards of ownership.

(o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group may designate certain derivatives as either hedges of exposures to variability in cash flows associated with future interest payments on variable rate debt (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

The Trust documents at the inception of the hedging transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transaction have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the period when the hedged item impacts the Income Statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Net investment hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges is recognised in the foreign currency translation reserve. This amount will be reclassified to the Income Statement on disposal of the foreign operation. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

(p) Borrowing costs

Borrowing costs are recognised as expenses using the effective interest rate method, except where they are included in the costs of qualifying assets.

Borrowing costs include interest on short term and long term borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

Borrowing costs associated with the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs not associated with qualifying assets, are expensed in the Income Statement.

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Notes to the financial statements

for the year ended 30 June 2007

1. Summary of significant accounting policies (cont.)

(p) Borrowing costs (cont.)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year. The capitalisation rate used was 6.67% per annum (2006: 6.61% per annum) for Australian dollar debt and 5.86% per annum (2006: n/a) for US dollar debt.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Executive securities plan (ESP)

Security based compensation benefits are provided to employees via the ESP. Under the terms of the ESP, employees are provided with a loan from the Trust, partially repayable, which is used to acquire securities on market. The amount of the loan to be repaid is capped at the value of the securities issued on vestment. The terms of the loans create a synthetic option, the value of which needs to be brought to account pursuant to the term of AASB 2 Share Based Payment. Further, under AASB 2, the terms of the loan means that the Trust owns the securities. Given these are treasury securities, AASB 2 requires the loans and underlying number of securities to be removed from receivables and contributed equity respectively.

The characteristics of this plan indicate that it is an equity based share based payment as the holders are entitled to the securities as long as they meet the Groups service and performance criteria.

The fair value of securities granted under the ESP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the securities.

The fair value at grant date is independently determined using the Trinomial Options Pricing Model. This methodology has been adopted as the unexpired securities may be exercised any time between the vesting and maturity date, and vesting conditions have been attached to the securities.

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1. Summary of significant accounting policies (cont.)

(r) Employee benefits (cont.)

(iii) Executive securities plan (ESP) (cont.)

This methodology involves plotting possible paths that might be followed by the price of the underlying stock over the life of the option. The outcomes of the movements in the security price are discounted back to present value using the risk-free rate.

At each balance sheet date, the entity revises its estimate of the number of securities that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(s) Tax

Income tax

The Trust is not subject to income tax. However, both of its controlled entities, Macquarie Leisure (NZ) Trust and MLOL are subject to income tax.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income at the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amount in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax consolidation legislation

MLOL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 8 February 2005.

The head entity, MLOL, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, MLOL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its taxable income (including assessable realised capital gains) is fully distributed to unitholders, by way of cash or reinvestment. The liability for capital gains tax that may arise if the Australian properties were sold is not accounted for in this financial report.

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Notes to the financial statements

for the year ended 30 June 2007

1. Summary of significant accounting policies (cont.)

(t) Goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO). The non-recoverable GST is recognised as part of the income, expense or asset. Receivables and payables are inclusive of GST. The net amount of GST recoverable from or payable to the ATO is included in receivables or payables in the Balance Sheet. Cash flows relating to GST are included in the Cash Flow Statement on a gross basis.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are recognised directly in equity as a reduction in the proceeds of stapled securities to which the costs relate. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Reserves

In accordance with the Trust Constitution, amounts may be transferred from reserves or contributed equity to fund distributions.

(w) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Rendering of services

Revenue from rendering of services including theme park entry and bowling games is recognised when the outcome can be reliably measured and the service has taken place.

(ii) Sale of goods

Revenue from sale of goods including merchandise and food and beverage items is recognised when the risks and rewards of ownership have passed to the buyer.

(iii) Rental revenue

Rental income represents income earned from the sub-lease of properties leased by the Group, and is brought to account on a straight line basis over the lease term.

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(x) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

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1. Summary of significant accounting policies (cont.)

(x) Foreign currency translation (cont.)

(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 translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Foreign operations

Assets and liabilities of foreign controlled entities are translated at exchange rates ruling at balance date while income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign controlled entities are taken directly to the foreign currency translation reserve. On consolidation, exchange differences on loans denominated in foreign currencies, where the loan is considered part of the net investment in that foreign operation, are taken directly to the foreign currency translation reserve. At 30 June 2007, the spot rate used was A$1.00 = NZ$1.0995 (2006: A$1.00 = NZ$1.2196) and A$1.00 = US$0.8479. The average spot rate during the year ended 30 June 2007 was A$1.00 = NZ$1.1418 (2006: A$1.00 = NZ$1.1728) and A$1.00 = US$0.7922.

(y) Segment information

Segment income, expenditure, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of cash, receivables (net of any related provisions) and investments. Any assets used jointly by segments are allocated based on reasonable estimates of usage.

(z) Earnings per stapled security

Basic earnings per stapled security is determined by dividing profit by the weighted average number of ordinary stapled securities on issue during the period.

Diluted earnings per stapled security is determined by dividing the profit by the weighted average number of ordinary stapled securities and dilutive potential ordinary stapled securities on issue during the period.

(aa) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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Notes to the financial statements

for the year ended 30 June 2007

1. Summary of significant accounting policies (cont.)

(ab) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the entity acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(ac) Fractional boat ownership

Sydney Boat Share (SBS) trading includes the selling of shares in vessel owning companies (VOCs) which have acquired a vessel for the personal use of it's shareholders. The VOCs are initially owned by SBS; however, the shares held are subsequently sold to individual investors in return for a right to use the vessel.

The VOCs are consolidated from the date of which control is transferred to the Group, which is the date the VOC issues shares to SBS.

Minority interests in the VOCs have been disclosed as a liability of the Group, as a result of SBS's obligation to repurchase the shares after a specified time period or event. These liabilities are discounted to their present value and amortised over the specified time period identified above.

The vessel is capitalised as a non-current asset and depreciated over its useful life using the straight-line method.

(ad) New accounting standards and UIG interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group for accounting periods beginning on or after 1 July 2007 or later periods but which the Group has not yet adopted. These include:

(i) AASB 7 Financial Instruments: Disclosures and amendments made by AASB 2005-10 (effective 1 July 2007)

AASB 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit, liquidity and market risk, including sensitivity analysis to market risk. The impact on the financial statements will be limited to disclosures.

(ii) AASB 101 Presentation of Financial Statements (effective 1 July 2007)

The impacts of revised AASB 101 are to eliminate much of the Australian specific content, including the Australian illustrative formats of the Income Statement, Balance Sheet and Statement of Changes in Equity which entities were previously 'encouraged' to adopt in preparing their financial statements. In addition to this, the standard introduces disclosures about the level of an entity's capital and how it manages capital. This revised standard is expected to have a minimal impact on the financial statements.

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1. Summary of significant accounting policies (cont.)

(ad) New accounting standards and UIG interpretations (cont.)

(iii) AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other amendments (effective 1 July 2007)

This standard introduces accounting policy choices allowed under IFRS that were not previously incorporated by the Australian Accounting Standards Board, and to remove many Australian specific disclosures. The primary impact on the financial statements will be to reduce the disclosures relating to investments in associates and joint ventures. Accounting choices now allowed include using the indirect method for accounting for joint venture interests. The impact of this standard will depend on the choice in the method of accounting for any joint venture interests.

(iv) AASB 8 Operating Segments (effective 1 July 2009)

This standard will require the entity to adopt the 'management approach' to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures to that used in preparing the Income Statement and Balance Sheet, in which case reconciliations of certain items will be required.

(v) AASB 123 Borrowing Costs (effective 1 July 2009)

This revised standard eliminates the current option available to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, the revised standard requires that they be capitalised as part of the cost of the asset. All other borrowing costs should be expensed as they are incurred. As the Group currently capitalises borrowing costs relating to qualifying assets, this revised standard is expected to have minimal impact on the financial statements.

(ae) Rounding

The Group is a registered scheme of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2. Trust formation

The Trust was established on 6 February 1998. On 23 December 2005, the Manager executed a supplemental deed poll to amend the Trust Constitution. The amendments removed the 80 year life of the Trust, to enable the units on issue to be classified as equity under Australian Accounting Standards. MLOL was incorporated on 28 April 2003. The Manager and MLOL entered into the stapling deed effective 1 July 2003.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program seeks to minimise potential adverse effect on the distributable earnings of the Group. The Group uses derivative financial instruments, such as forward foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Risk management is carried out in accordance with policies approved by the Board of Directors of the Manager.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to US dollars, euros, Canadian dollars, British pounds and New Zealand dollars. Forward foreign exchange contracts are used to manage foreign exchange risk.

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Notes to the financial statements

for the year ended 30 June 2007

3. Financial risk management (cont.)

(b) Credit risk

Credit risk arises when one party to a financial transaction causes a financial loss to another party by failing to discharge an obligation.

The Group is exposed to credit risk on its receivables and derivative financial assets.

(i) Receivables

The Group has policies to review the aggregate exposures of debtors and tenancies across its portfolio. The Group has no significant concentrations of credit risk.

(ii) Derivative financial assets

Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The instruments entered into by the Group were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Group.

(d) Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from its floating rate borrowings. This cash flow interest rate risk is managed through interest rate swaps which have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

4. Revenue from operating activities

	Consolidated 2007 $'000	Consolidated 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Revenue from services	159,355	114,091	–	–
Revenue from sale of goods	72,624	53,281	–	–
Revenue from rentals	15,371	14,100	63,123	54,782
Revenue from management fees	160	150	–	–
Revenue from operating activities	**247,510**	**181,622**	**63,123**	**54,782**

5. Finance costs

	Consolidated 2007 $'000	Consolidated 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Borrowing costs paid or payable	9,673	6,621	9,473	6,621
Less: Capitalised borrowing costs	(1,450)	(199)	(1,266)	(199)
Finance costs expensed	**8,223**	**6,422**	**8,207**	**6,422**

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6. Property expenses

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Depreciation	11,584	6,579	5,581	4,167
Amortisation	149	149	99	99
Landlord rent and outgoings	16,499	8,657	11,621	8,657
Insurance	1,140	1,338	1,123	1,333
Head lease fees	1,288	628	1,288	628
Rates	1,548	1,564	1,544	1,562
Land tax	755	349	751	349
Other	119	121	119	121
	33,082	**19,385**	**22,126**	**16,916**

7. Management fees

The Manager of the Trust is Macquarie Leisure Management Limited, a wholly-owned subsidiary of Macquarie Bank Limited. The Manager's registered office and principal place of business is 1 Martin Place, Sydney NSW 2000.

On 5 July 2005, a vote was passed at a meeting of stapled security holders to change the structure of the remuneration the Manager receives from the Trust to include a performance fee effective 1 July 2005.

(a) Base management fee

As part of the change to the remuneration structure, the Manager has reduced the base fee from 0.25% per annum of total assets of the Trust to 0.20% per annum. The incentive fee which is equal to 3.5% of the amount available for distribution to unitholders remains unchanged. These two fees are now termed the base management fee.

(b) Performance fee

The performance fee will be paid (if eligible) annually based on the accumulated return of the Group compared to an index consisting 50% the accumulated Property Trust 300 Index and 50% the accumulated ASX 300 Small Ords Index (Index). Where outperformance exceeds 5%, the Manager will receive a performance fee equal to the value of 10% of this excess multiplied by the opening market capitalisation of the Group at the commencement of the financial year (Tier 1); and where the outperformance exceeds 10%, the Tier 1 performance fee plus 5% of the additional excess during the financial year (Tier 2) multiplied by the opening market capitalisation of the Group.

Where the Group underperforms the benchmark in a period, it must make up the underperformance in future periods before a performance fee is payable.

The total annual fee (base management fee plus performance fee) will not exceed 2.5% of the volume weighted average market capitalisation of the Group during the financial year. There is no deferral of fees. The performance fee is payable in stapled securities at the higher of the distribution reinvestment plan price (before discount) or the Group's net tangible assets figure.

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Notes to the financial statements

for the year ended 30 June 2007

7. Management fees (cont.)

(c) Management fee calculation

The management fees for the year ended 30 June 2007 are detailed as follows:

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Base management fee	2,571,576	2,049,886	2,571,576	2,049,886
Performance fee	325,848	4,045,080	325,848	4,045,080
	2,897,424	**6,094,966**	**2,897,424**	**6,094,966**

The relative performance of the Group to the Index was:

	1 Jul 2006 - 30 June 2007	1 Jul 2005 – 30 June 2006
Trust performance	41.0%	36.5%
Index performance	35.3%	21.9%
Outperformance by the Group	**5.7%**	**14.6%**

The Index performance was calculated based on the performance of the following two indices (weighted 50% each):

Property Trust 300 Index	27.3%	18.1%
ASX 300 Small Ords Index	43.3%	25.5%

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8. Other expenses

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Accounting fees	170	60	170	60
Audit committee and compliance fees – independent directors	68	41	68	41
Audit fees	604	310	214	107
Consulting fees	655	545	–	–
Consumables	1,271	1,040	–	–
Custodian fees	105	81	96	81
Electricity	5,163	3,432	–	–
Foreign exchange loss – realised	–	–	192	–
Foreign exchange loss – unrealised	81	–	141	–
Fuel and oil	376	295	–	–
Insurance	1,158	780	–	–
Legal fees	19	142	19	142
Merchant fees	1,849	932	–	–
Motor vehicles	752	679	–	–
Permits and fees	2,184	1,895	–	–
Printing, stationery and postage	1,793	149	75	149
Registry fees	134	189	134	189
Stapled security holder communication costs	99	113	99	113
Stock exchange costs	42	60	42	60
Taxation fees	15	(12)	15	(12)
Telephone	1,213	1,085	–	–
Training	554	414	–	–
Travel costs	1,434	940	–	–
Valuation fees	180	162	180	162
Other	1,352	3,203	66	157
	21,271	**16,535**	**1,511**	**1,249**

9. Remuneration of auditor

During the financial year, the auditor of the Group, PricewaterhouseCoopers Australian firm, earned the following remuneration:

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Audit services	603,732	309,011	213,859	106,505
Taxation services	14,780	(11,685)	14,780	(11,685)
Other services	5,535	–	–	–
	624,047	**297,326**	**228,639**	**94,820**

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Notes to the financial statements

for the year ended 30 June 2007

10. Income tax expense

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
(a) Income tax expense				
Current tax	1,704	1,291	–	–
Deferred tax	797	(164)	–	–
Under/(over) provided in prior periods	87	(242)	–	–
	2,588	**885**	**–**	**–**
Income tax expense is attributable to:				
Profit from operations	2,588	885	–	–
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets	85	(200)	–	–
Increase in deferred tax liabilities	712	36	–	–
	797	**(164)**	**–**	**–**
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from operations before income tax expense	50,806	1,879	110,825	66,816
Less: Profit from the Trust	(110,601)	(66,866)	(110,825)	(66,816)
Prima facie (loss)/profit	(59,795)	(64,987)	–	–
Tax at the Australian tax rate of 30% (2006: 30%)	(17,938)	(19,496)	–	–
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:				
Revaluation increments recognised directly in equity	18,560	19,292	–	–
Movement in foreign exchange	539	(11)	–	–
Goodwill impairment	1	442	–	–
Entertainment	35	11	–	–
Capital losses	–	207	–	–
Non-deductible depreciation and amortisation	753	669	–	–
Non-deductible interest due to thin capitalisation	247	0	–	–
Sydney Boat Share – minority interest	169	–	–	–
Sundry items	37	13	–	–
Difference in overseas tax rates	73	–	–	–
Tax credits (from United States of America)	25	–	–	–
Under/(over) provision in prior years	87	(242)	–	–
Income tax expense	**2,588**	**885**	**–**	**–**

(c) Unrecognised temporary differences

A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the Group's subsidiaries in New Zealand and the United States of America. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

The Group has undistributed profits of $7,376,000 (2006: $2,952,000) which, if paid out as dividends, would be fully franked.

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10. Income tax expense (cont.)

(d) Tax consolidation legislation

MLOL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 8 February 2005. The accounting policy in relation to this legislation is set out in Note 1(s).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, MLOL.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate MLOL for any current tax payable assumed and are compensated by MLOL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to MLOL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are payable upon demand by the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are netted off in the non-current intercompany payables.

11. Earnings per stapled security

	2007	2006
Basic earnings per stapled security (cents)*	23.20	0.55
Diluted earnings per stapled security (cents)*	23.16	0.55
Distributable earnings per stapled security (cents)	19.45	17.67
Earnings used in the calculation of basic and diluted earnings per stapled security ($'000)	48,420	994
Earnings used in the calculation of distributable earnings per stapled security (refer calculation in table below) ($'000)	40,596	32,174
Weighted average number of stapled securities on issue used in the calculation of basic and distributable earnings per stapled security ($'000)	208,716	182,108
Weighted average number of stapled securities held by MLOL employees under the executive securities plan (Note 28) ($'000)	389	–
Weighted average number of stapled securities on issue used in the calculation of diluted earnings per stapled security ($'000)	209,105	182,108

* Due to the classification of the Trust's units on issue as financial liabilities for the period from 1 July 2005 to 23 December 2005, $37.0 million of the Trust's result (including unrealised valuation gains) for the year ended 30 June 2006 has been disclosed as a finance cost in the Income Statement. Since 23 December 2005, the units on issue are classified as equity, therefore finance costs will not be recorded in future periods. Refer also to Note 2.

Calculation of distributable earnings

The Manager does not consider it appropriate to use profit under Australian Accounting Standards to determine distributions to stapled security holders. The table below outlines the Manager's adjustments to profit under Australian Accounting Standards to determine the amount the Manager believes should be available for distribution for the current period. The Manager uses this amount as guidance for distribution determination.

Distributable earnings is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for certain unrealised and non-cash items and reserve transfers. Per the Trust Constitution, the amount distributed to stapled security holders is at the discretion of the Manager. The Manager will use the distributable earnings calculated as a guide to assessing an appropriate distribution to declare.

The adjustments between profit under Australian Accounting Standards and distributable earnings may change from time to time depending on changes to accounting standards and the Manager's assessment as to whether non-recurring or infrequent items (such as realised gains on the sale of properties) will be distributed to stapled security holders.

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Notes to the financial statements

for the year ended 30 June 2007

11. Earnings per stapled security (cont.)

	2007 $'000	2006 $'000
Profit used in calculating earnings per stapled security	48,420	994
Unrealised items		
– Net unrealised gain on derivative financial instruments	(714)	(59)
– Finance costs attributable to stapled security holders	–	37,043
– Property valuation gains – investment properties	(13,528)	(11,922)
Non-cash items		
– Straight-lining of fixed rent increases	1,370	–
Reserve transfers		
– Transfer from contributed equity for performance fee	326	4,045
– Transfer from asset revaluation reserve[1]	2,476	2,073
– Pre-opening expenses	1,914	–
– Due diligence costs written off on acquisitions not completed	332	–
Distributable earnings	**40,596**	**32,174**

[1] The transfer from asset revaluation reserve represents depreciation recorded under Australian Accounting Standards effective 1 July 2005 on property, plant and equipment which were previously classified as investment properties.

12. Distributions paid and payable

	Distribution Cents per stapled security	Total amount $'000	Tax deferred %	CGT concession amount $'000	Taxable %
2007 distributions for the half year ended:					
31 December 2006	8.0	17,109			
30 June 2007*	9.1	19,669			
	17.1	**36,778**	**20.37**	**–**	**79.63**
2006 distributions for the half year ended:					
31 December 2005	7.0	12,653			
30 June 2006**	7.5	13,715			
	14.5	**26,368**	**34.60**	**–**	**65.40**

* The distribution of 9.1 cents per stapled security for the half year ended 30 June 2007 was not declared prior to 30 June 2007. Refer to Note 41.

** The distribution of 7.5 cents per unit for the half year ended 30 June 2006 was not declared prior to 30 June 2006.

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13. Receivables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Trade debtors	7,783	5,421	–	62
Provision for doubtful debts	(136)	(455)	–	–
	7,647	4,966	–	62
Sundry receivable	455	584	–	–
	8,102	**5,550**	**–**	**62**

The Group has recognised a benefit of $137,000 (2006: $342,000 expense) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The expense has been included in other expenses in the Income Statement.

14. Derivative financial instruments

Current assets				
Forward foreign exchange contracts	845	131	845	131
Interest rate swaps	588	1,296	588	1,296
	1,433	**1,427**	**1,433**	**1,427**
Non-current assets				
Interest rate swaps	2,410	–	2,410	–
	2,410	**–**	**2,410**	**–**

Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to buy foreign currency and sell Australian dollars. These contracts total A$2.3 million (2006: A$8.9 million) and mature within 12 months.

The Group has also entered into forward foreign exchange contracts to sell US dollars and receive Australian dollars at an average exchange rate of A$1.00 = US$0.7324. These contracts total A$11.8 million (2006: A$nil) and the last of these contracts matures in March 2012.

The Group has also entered into forward foreign exchange contracts to sell New Zealand dollars and receive Australian dollars at an average exchange rate of A$1.00 = NZ$1.1774 (2006: A$1.00 = NZ$1.1600). These contracts total A$3.2 million (2006: A$3.2 million) and the last of these contracts matures within 12 months.

The forward contracts do not qualify for hedge accounting and accordingly, changes in fair value of these contracts are recorded in the Income Statement. Notwithstanding the accounting outcome, the Manager considers that these derivative contracts are appropriate and effective in offsetting the economic foreign exchange exposures of the Group.

Interest rate swaps

The Group has entered into an interest rate swap agreement totalling $45 million (2006: $45 million) that entitles it to receive interest, at quarterly intervals, at a floating rate on a notional principal and obliges it to pay interest at a fixed rate. The interest rate swap agreement allows the Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

The Group has also entered into a US dollar interest rate swap agreement totalling US$45 million (2006: US$nil) that entitles it to receive interest at a floating rate on a notional principal amount and obliges it to pay interest at a fixed rate on the same amount.

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Notes to the financial statements

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14. Derivative financial instruments (cont.)

Interest rate swaps (cont.)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Less than 1 year	–	–	–	–
1 – 2 years	–	–	–	–
2 – 3 years	–	–	–	–
3 – 4 years	–	–	–	–
4 – 5 years	45,000	–	45,000	–
More than 5 years	53,074	45,000	53,074	45,000
	98,074	**45,000**	**98,074**	**45,000**

The interest rate swap contracts qualify as cash flow hedges. Accordingly, the change in fair value of these swaps is recorded in the cash flow hedge reserve. Amounts accumulated in equity are recycled in the Income Statement in the period when the hedged item impacts the Income Statement.

15. Inventories

Goods held for resale	6,450	3,953	–	–
Less: Provision for diminution	(20)	(20)	–	–
	6,430	**3,933**	**–**	**–**

There was no reversal of write-downs of inventories recognised as a benefit during the year ended 30 June 2007 (2006: $30,000).

16. Other assets

Prepayments	5,165	3,779	2,591	1,843
	5,165	**3,779**	**2,591**	**1,843**

17. Investment properties

Consolidated Property	Acquisition date	Purchase price including acquisition costs $'000	Capital expenditure up to latest revaluation $'000	Total cost including all capital expenditure $'000	Date of latest independent valuation	Independent valuation $'000	Note	Valuer	Consolidated June 2007 book value $'000	Consolidated June 2006 book value $'000
d'Albora Marinas	*	59,059	6,211	65,270	30 Jun 07	90,720	(a)	(1)	90,720	72,957
Total		**59,059**	**6,211**	**65,270**		**90,720**			**90,720**	**72,957**

* The marinas located at Akuna Bay, Nelson Bay, Rushcutters Bay and The Spit were acquired on 17 January 2000. The marinas at Cabarita Point and Pier 35 were acquired on 6 January 2004 and 17 September 2004 respectively. During the year, the Victoria Harbour marina was developed and was opened on 22 December 2006.

As valued by:

(a) The total carrying value of d'Albora Marinas (including plant and equipment of $6.3 million) is $97.0 million. An independent valuation was performed at 30 June 2007 on six of the seven marinas. The remaining marinas were valued by the directors at 30 June 2007. At 30 June 2007, the fair value of d'Albora Marinas was assessed to be $97.0 million.

(1) Greg Thomson, FAPI, Knight Frank, Valuation Services (NSW) Pty Limited.

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17. Investment properties (cont.)

Parent Property	Acquisition date	Purchase price including acquisition costs	Capital expenditure up to date	Total cost including all capital expenditure	Date of latest independent valuation	Independent valuation	Note	Valuer	**Parent 2007 book value**	Parent 2006 book value
		$'000	$'000	$'000		$'000			**$'000**	$'000
Dreamworld Theme parks (including WhiteWater World)	3 Jul 98	91,300	66,651	157,951	30 Jun 07	305,721	(a)	(1)	305,721	210,514
Excess land	3 Jul 98	11,223	1,844	13,067	14 Jan 03	20,500	(b)	(2)	24,567	24,161
Total Dreamworld		102,523	68,495	171,018		326,221			330,288	234,675
d'Albora Marinas	*	59,059	6,211	65,270	30 Jun 07	90,720	(c)	(3)	90,720	72,957
Bowling group	8 Feb 05 and 1 Aug 06	37,397	11,006	48,403	30 Jun and 31 Dec 06	53,106	(d)	(4)	53,106	37,350
Total		**198,979**	**85,712**	**284,691**		**470,047**			**474,114**	**344,982**

* The marinas located at Akuna Bay, Nelson Bay, Rushcutters Bay and The Spit were acquired on 17 January 2000. The marinas at Cabarita Point and Pier 35 were acquired on 6 January 2004 and 17 September 2004 respectively. During the year, the Victoria Harbour marina was developed and was opened on 22 December 2006.

As valued by:

(1) Jones Lang LaSalle Hotels.

(2) CB Richard Ellis© Pty Ltd and DTZ Australia (Gold Coast) Pty Ltd who assessed the value at $20 million and $21 million respectively.

(3) Greg Thomson, FAPI, Knight Frank, Valuation Services (NSW) Pty Limited.

(4) CB Richard Ellis© Pty Ltd.

(a) The book value of the theme parks (including plant and equipment of $43.7 million and intangible assets $0.6 million) is $350.0 million. In an independent valuation performed at 30 June 2007, the fair value for the theme parks was assessed to be $350.0 million (excluding excess land of $24.6 million).

(b) The directors have valued the excess land at $24.6 million.

(c) The total carrying value of d'Albora Marinas (including plant and equipment of $6.3 million) is $96.8 million. An independent valuation was performed at 30 June 2007 on six of the seven marinas. The remaining marina was valued by the directors at 30 June 2007. At 30 June 2007, the fair value of d'Albora Marinas was assessed to be $96.8 million.

(d) The freehold land and buildings of six of the bowling centres were independently revalued by CB Richard Ellis© Pty Ltd at 31 December 2006. The remaining bowling centres were independently valued at 30 June 2006. The independent valuation for the freehold land and buildings was $39.4 million. At 30 June 2007, the directors assessed the fair value of the freehold land and buildings to be $40.4 million and the remaining property, plant and equipment to be $43.1 million.

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17. Investment properties (cont.)

A reconciliation of the carrying amount of investment properties at the beginning and end of the current year is set out below:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Carrying amount at the beginning of the year	72,957	60,905	344,982	259,565
Transfer from construction in progress	337	–	9,154	–
Additions	3,898	130	44,584	9,993
Disposals	–	–	–	(805)
Revaluation increments	13,528	11,922	75,394	76,229
Carrying amount at the end of the year	**90,720**	**72,957**	**474,114**	**344,982**

Amounts recognised in the Income Statement for investment properties

Revenue from investment properties	15,371	14,100	63,123	54,782
Property expenses incurred on investment properties	(2,479)	(1,542)	(16,447)	(12,649)

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18. Property, plant and equipment

Consolidated Property	Acquisition date	Purchase price including acquisition costs $'000	Capital expenditure to date $'000	Total cost including all capital expenditure $'000	Date of latest independent valuation	Independent valuation $'000	Valuer	**Consolidated 2007 book value** **$'000**	Consolidated 2006 book value $'000
Dreamworld Theme parks (including WhiteWater World)	3 Jul 98	91,300	110,689	201,989	30 Jun 06	350,000	(1)	349,759	225,783
Excess land	3 Jul 98	11,223	1,844	13,067	10 Jan 03	20,500	(2)	24,567	24,161
Total Dreamworld		102,523	112,533	215,056		370,500		374,326	249,944
d'Albora Marinas	*	–	6,257	6,257	30 Jun & 31 Dec 06	6,257	(3)	6,257	4,576
Bowling group	8 Feb 05	62,391	19,336	81,727	30 Jun & 31 Dec 06	86,760	(4)	86,760	65,648
My Boatie	5 Dec 05	71	8	79	–	–	(5)	79	76
Sydney Boat Share	20 Jul 06	–	5,730	5,730	–	–	(6)	5,730	–
Main Event	30 Aug 06	18,976	11,997	30,973	–	–	(7)	30,973	–
Total		**183,961**	**155,861**	**339,822**		**463,517**		**504,125**	**320,244**

* The marinas located at Akuna Bay, Nelson Bay, Rushcutters Bay and The Spit were acquired on 17 January 2000. The marinas at Cabarita Point and Pier 35 were acquired on 6 January 2004 and 17 September 2004 respectively. During the year, the Victoria Harbour marina was developed and was opened on 22 December 2006.

(1) The Dreamworld and WhiteWater World theme parks were valued by Jones Lang LaSalle Hotels at $350.0 million

(2) The directors have valued the excess land at $24.6 million.

(3) The directors have valued the property, plant and equipment of d'Albora Marinas at $6.3 million.

(4) The freehold land and buildings of six of the bowling centres were independently revalued by CB Richard Ellis© Pty Ltd at 31 December 2006. The remaining bowling centres were independently valued at 30 June 2006. The independent valuation for the freehold land and buildings was $39.4 million. At 30 June 2007, the directors assessed the fair value of the freehold land and buildings to be $40.4 million and the remaining property, plant and equipment to be $46.4 million.

(5) The directors have valued the property, plant and equipment of My Boatie at $0.1 million.

(6) The directors have valued the property ,plant and equipment of Sydney Boat Share at $5.7 million.

(7) The directors have valued the property, plant and equipment of Main Event at $31.0 million.

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18. Property, plant and equipment (cont.)

Property	Land and buildings $'000	Major rides and attractions $'000	Plant and equipment $'000	Plant and equipment under finance lease $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Consolidated – 2007							
Dreamworld							
Theme parks	277,439	53,135	16,704	–	2,308	173	349,759
Excess land	24,567	–	–	–	–	–	24,567
Total Dreamworld	302,006	53,135	16,704	–	2,308	173	374,326
d'Albora Marinas	379	–	5,502	170	160	46	6,257
Bowling group	51,289	–	34,530	–	865	76	86,760
My Boatie	–	–	79	–	–	–	79
Sydney Boat Share	–	–	5,730	–	–	–	5,730
Main Event	8,535	–	22,438	–	–	–	30,973
Total consolidated	**362,209**	**53,135**	**84,983**	**170**	**3,333**	**295**	**504,125**
Consolidated – 2006							
Dreamworld							
Theme parks	178,314	41,494	4,771	–	1,037	167	225,783
Excess land	24,161	–	–	–	–	–	24,161
Total Dreamworld	202,475	41,494	4,771	–	1,037	167	249,944
d'Albora Marinas	427	–	3,683	208	203	55	4,576
Bowling group	37,532	–	27,773	–	298	45	65,648
My Boatie	–	–	76	–	–	–	76
Sydney Boat Share	–	–	–	–	–	–	–
Main Event	–	–	–	–	–	–	–
Total consolidated	**240,434**	**41,494**	**36,303**	**208**	**1,538**	**267**	**320,244**
Parent – 2007							
Dreamworld	16,601	11,208	13,433	–	2,270	173	43,685
d'Albora Marinas	379	–	5,458	–	160	46	6,043
Bowling group	24	–	29,432	–	816	76	30,348
Total parent	**17,004**	**11,208**	**48,323**	**–**	**3,246**	**295**	**80,076**
Parent – 2006							
Dreamworld	449	10,380	2,797	–	999	167	14,792
d'Albora Marinas	427	–	3,609	–	203	55	4,294
Bowling group	149	–	27,204	–	260	45	27,658
Total parent	**1,025**	**10,380**	**33,610**	**–**	**1,462**	**267**	**46,744**

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18. Property, plant and equipment (cont.)

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the current and previous years is set out below:

Property	Land and buildings	Major rides and attractions	Plant and equipment	Plant and equipment under finance lease	Furniture, fittings and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated – 2007							
Carrying amount at the beginning of the year	240,434	41,494	36,303	208	1,538	267	320,244
Additions	47,215	10,801	54,213	–	1,795	101	114,126
Transfers from construction in progress	12,057	2,792	2,999	–	462	–	18,310
Disposals	–	–	(35)	–	–	–	(35)
Depreciation	(1,492)	(1,952)	(7,562)	(38)	(467)	(73)	(11,584)
Foreign exchange movements	(347)	–	(935)	–	4	–	(1,278)
Revaluation increments	64,342	–	–	–	–	–	64,342
Carrying amount at the end of the year	**362,209**	**53,135**	**84,983**	**170**	**3,332**	**295**	**504,125**
Consolidated – 2006							
Carrying amount at the beginning of the year	172,043	40,017	23,776	241	1,287	259	237,623
Additions	3,243	3,344	15,634	–	550	87	22,858
Disposals	(1)	(4)	(23)	–	(10)	–	(38)
Depreciation	(1,231)	(1,863)	(3,084)	(33)	(289)	(79)	(6,579)
Revaluation increments	66,380	–	–	–	–	–	66,380
Carrying amount at the end of the year	**240,434**	**41,494**	**36,303**	**208**	**1,538**	**267**	**320,244**

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18. Property, plant and equipment (cont.)

Property	Land and buildings $'000	Major rides and attractions $'000	Plant and equipment $'000	Plant and equipment under finance lease $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Parent – 2007							
Carrying amount at the beginning of the year	1,025	10,380	33,610	–	1,462	267	46,744
Additions	10,896	517	16,128	–	1,777	101	29,419
Transfers from construction in progress	5,201	1,200	2,631	–	462	–	9,494
Disposals	–	–	–	–	–	–	–
Depreciation	(118)	(889)	(4,046)	–	(455)	(73)	(5,581)
Revaluation increments	–	–	–	–	–	–	–
Carrying amount at the end of the year	**17,004**	**11,208**	**48,323**	**–**	**3,246**	**295**	**80,076**
Parent – 2006							
Carrying amount at the beginning of the year	919	8,674	23,205	–	1,224	258	34,280
Additions	204	2,640	13,209	–	528	88	16,669
Disposals	(1)	(4)	(23)	–	(10)	–	(38)
Depreciation	(97)	(930)	(2,781)	–	(280)	(79)	(4,167)
Revaluation increments	–	–	–	–	–	–	–
Carrying amount at the end of the year	**1,025**	**10,380**	**33,610**	**–**	**1,462**	**267**	**46,744**

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19. Intangible assets

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Intellectual property at cost	1,969	1,969	1,609	1,609
Revaluation decrement on intellectual property	(181)	(181)	(181)	(181)
Accumulated amortisation – intellectual property*	(1,044)	(895)	(834)	(735)
	744	**893**	**594**	**693**
Goodwill at cost	64,638	11,988	–	–
Accumulated impairment charge	(1,478)	(1,474)	–	–
	63,160	10,514	–	–
Total intangible assets	**63,904**	**11,407**	**594**	**693**
Intellectual property				
Opening net book amount	893	1,042	693	792
Amortisation*	(149)	(149)	(99)	(99)
Closing net book amount	**744**	**893**	**594**	**693**
Goodwill				
Opening net book amount	10,514	7,138	–	–
Additions	58,037	4,974	–	–
Foreign exchange differences	(5,387)	(124)	–	–
Impairment charge	(4)	(1,474)	–	–
Closing net book amount	**63,160**	**10,514**	**–**	**–**
Total intangible assets	**63,904**	**11,407**	**594**	**693**

Intellectual property

Intellectual property represents registered trademarks associated with Dreamworld operations and intellectual property associated with Australian Tour Desk. It is carried at directors' valuation and includes a pro rata allocation of acquisition costs.

Goodwill

Goodwill represents goodwill acquired by MLOL as part of the acquisition of Bowling Centres Australia Pty Ltd, Tidebelt Pty Ltd and Bowling Centres Australia Catering Services Pty Ltd in February 2005, BowlAustralia Holdings Pty Ltd in March 2005, Garden City Bowl in March 2006, Loganholme Hyperbowl in June 2006, Sydney Boat Share in July 2006, Kingpin bowling centres in August 2006, Main Event Inc in August 2006, Panmure Superbowl in March 2007 and Village Bowl in May 2007.

* Amortisation of $149,000 (2006: $149,000) is included in property expenses in the Income Statement.

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19. Intangible assets (cont.)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment and country of operation.

A segment-level summary of the goodwill allocation is presented below:

2007	Australia $'000	New Zealand $'000	United States $'000	Total $'000
Bowling operations	11,753	3,567	–	15,320
Theme park operations	783	–	–	783
Marina operations	409	–	–	409
Family entertainment centres	–	–	46,183	46,183
Fractional boat ownership	465	–	–	465
	13,410	**3,567**	**46,183**	**63,160**
2006				
Bowling operations	7,086	2,283	–	9,369
Theme park operations	783	–	–	783
Marina operations	362	–	–	362
	8,231	**2,283**	**–**	**10,514**

Key assumptions used for value-in-use calculations

The table below shows the key assumptions used in the value-in-use calculations used to test for impairment in the business segments to which a significant amount of goodwill was allocated:

	Growth rate*		Discount rate**	
	2007	2006	**2007**	2006
	% per annum	% per annum	**% per annum**	% per annum
Bowling operations				
– Australia	5.00	5.00	7.18	7.23
– New Zealand	2.90 to 5.00	2.90	7.68	7.73
Theme park operations	5.00	5.00	7.18	7.23
Marina operations	5.00	5.00	7.18	7.23
Family entertainment centres	5.00	n/a	9.32	n/a
Fractional boat ownership	5.00	n/a	9.56	n/a

* Average growth rate used to extrapolate cash flows beyond the budget period.

** In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

The period over which management has projected the CGU cash flows is based upon the individual CGU's lease term available.

These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are post-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

Impact of possible changes in key assumptions

Management does not consider any reasonable changes in any key assumptions would cause an impairment.

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19. Intangible assets (cont.)

Impairment charge

The 2007 impairment charges arose in the bowling operations CGUs in Australia. The 2006 impairment charges arose within the bowling operations CGUs in Australia following management's decision to close five bowling centres in the New South Wales region.

The carrying amount of goodwill acquired has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. The loss has been disclosed as impairment of goodwill in the Income Statement. In the prior year, it is offset by a lease surrender payment received of $2,727,272.

20. Deferred tax assets

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Doubtful debts	41	137	–	–
Employee benefits	2,028	2,057	–	–
Provisions and accruals	347	143	–	–
Depreciation	31	30	–	–
Inventory dimunition	6	6	–	–
Deferred income	15	105	–	–
Tax losses	–	799	–	–
Net deferred tax assets	**2,468**	**3,277**	**–**	**–**
Movements				
Balance at the beginning of the year	3,277	3077	–	–
(Charged)/credited to the Income Statement (Note 10)	(85)	200	–	–
Cash settlement for losses unable to be utilised (previous business acquisition)	(724)	–	–	–
Balance at the end of the year	**2,468**	**3,277**	**–**	**–**
Deferred tax assets to be recovered after more than 12 months	2,468	3,277	–	–
	2,468	**3,277**	**–**	**–**

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21. Investment in controlled entities

Entity	Country of formation/ incorporation	Class of securities	Consolidated interest		Parent entity carrying amount	
			2007	2006	2007	2006
			%	%	$	$
Macquarie Leisure (NZ) Trust	New Zealand	Ordinary	100	100	–	–
Macquarie Leisure Finance Pty Limited	Australia	Ordinary	100	100	1	1
Macquarie Leisure Operations Limited	Australia	Ordinary	100	100	66,859	–
Macquarie Leisure Operations (NZ) Limited	New Zealand	Ordinary	100	100	–	–
Macquarie Leisure Management (NZ) Limited	New Zealand	Ordinary	100	100	–	–
Bowling Centres Australia Pty Ltd	Australia	Ordinary	100	100	–	–
Tidebelt Pty Ltd	Australia	Ordinary	100	100	–	–
BowlAustralia Holdings Pty Ltd	Australia	Ordinary	100	100	–	–
Bowling Centres Australia Catering Services Pty Ltd	Australia	Ordinary	100	100	–	–
My Boatie Pty Ltd	Australia	Ordinary	100	100	–	–
Macquarie Leisure US Holdings Inc	United States	Ordinary	100	–	–	–
Main Event Holdings Inc	United States	Ordinary	100	–	–	–
Main Event Management LLC	United States	Ordinary	100	–	–	–
Main Event Entertainment LP	United States	Ordinary	100	–	–	–
Shots Main Event Inc	United States	Ordinary	100	–	–	–
Sydney Boat Share Pty Limited	Australia	Ordinary	56	–	–	–
Sydney Boat Share Services Pty Limited	Australia	Ordinary	56	–	–	–
Sydney Boat Share Finance Limited	Australia	Ordinary	56	–	–	–
Azimut 43 S Boatshare Pty Limited	Australia	Ordinary	30	–	–	–
Azimut 43 S Boatshare Pty Limited	Australia	Preference	100	–	–	–
Azimut 55 Boatshare Pty Limited	Australia	Preference	100	–	–	–
Riveria M400-4 Boatshare Pty Limited	Australia	Ordinary	10	–	–	–
Riveria M400-4 Boatshare Pty Limited	Australia	Preference	100	–	–	–
Riveria M400-5 Boatshare Pty Limited	Australia	Ordinary	40	–	–	–
Riveria M400-5 Boatshare Pty Limited	Australia	Preference	100	–	–	–
Riveria M400-6 Boatshare Pty Limited	Australia	Ordinary	20	–	–	–
Riveria M400-6 Boatshare Pty Limited	Australia	Preference	100	–	–	–
Riveria M400-7 Boatshare Pty Limited	Australia	Ordinary	90	–	–	–
Riveria M400-7 Boatshare Pty Limited	Australia	Preference	100	–	–	–
Riveria 3600 Boatshare Pty Limited	Australia	Ordinary	100	–	–	–
Riveria 3600 Boatshare Pty Limited	Australia	Preference	100	–	–	–
Riveria 4700 Boatshare Pty Limited	Australia	Preference	100	–	–	–
Riveria M4700-2 Boatshare Pty Limited	Australia	Ordinary	90	–	–	–
Riveria M4700-2 Boatshare Pty Limited	Australia	Preference	100	–	–	–
					66,860	**1**

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21. Investment in controlled entities (cont.)

Those entities where less than 50% of the ordinary shares are owned are vessel owning companies in the Sydney Boat share structure. Although less than 50% of the shares are owned, control over these entities remains with Macquarie Leisure Trust Group and so these entities have been consolidated.

22. Payables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current				
Management fee	1,287	1,013	1,287	1,013
Custodian fee	64	43	64	43
Interest payable	255	–	255	–
GST payable	496	269	496	269
Trade creditors	9,779	8,639	–	–
Property expenses payable	1,817	906	1,817	906
Payable to related party	–	–	1,227	5,443
Deferred income	3,760	3,350	–	–
Other creditors and accruals	20,366	16,291	605	594
Total current	**37,824**	**30,511**	**5,751**	**8,268**
Non–current				
Minority interest in Sydney Boat Share	3,728	–	–	–
Total non–current	**3,728**	**–**	**–**	**–**
Total payables	**58,190**	**46,802**	**6,356**	**8,862**

23. Interest bearing liabilities

Current				
Finance leases	164	146	–	–
Total current	**164**	**146**	**–**	**–**
Non–current				
Finance leases	138	335	–	–
Bank loan – term debt	162,787	99,155	162,787	99,155
Total non–current	**162,925**	**99,490**	**162,787**	**99,155**
Total interest bearing liabilities	**163,089**	**99,636**	**162,787**	**99,155**

The term debt is secured by registered mortgages over all properties owned by the Group.

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23. Interest bearing liabilities (cont.)

Credit facilities

As at 30 June 2007, the Group had access to the following facilities:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Commercial bill facility	120,000	118,500	120,000	118,500
Amount used	(88,000)	(99,155)	(88,000)	(99,155)
Amount unused	**32,000**	**19,345**	**32,000**	**19,345**
Loan note facility	80,000	–	80,000	–
Amount used	(74,787)	–	(74,787)	–
Amount unused	**5,213**	**–**	**5,213**	**–**
Total facility	200,000	118,500	200,000	118,500
Total amount used	**(162,787)**	**(99,155)**	**(162,787)**	**(99,155)**
Total amount unused	**37,213**	**19,345**	**37,213**	**19,345**

The commercial bill debt facility has a variable interest rate and will mature in 2012. The current interest rate is 7.23% per annum (2006: 6.79% per annum).

The loan note facility has a variable interest rate and will mature in August 2007. Subsequent to year end, the facility was extended until August 2008. The current interest rate is 6.89% per annum for Australian dollar borrowings (2006: n/a) and 5.86% per annum for US dollar borrowings (2006: n/a).

24. Provisions

(a) Provision for distribution

Opening balance	–	–	–	–
Distributions declared during the year	30,824	24,470	30,824	24,470
Distributions paid during the year	(18,526)	(16,431)	(18,526)	(16,431)
Distributions reinvested during the year	(12,298)	(8,039)	(12,298)	(8,039)
Closing balance	**–**	**–**	**–**	**–**

A provision for the distribution relating to the half year to 30 June 2007 was not recognised as the distribution had not been declared at the reporting date.

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24. Provisions (cont.)

(b) Other provisions

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current				
Employee benefits	1,410	1,289	–	–
Sundry*	1,037	1,546	–	–
Total current	2,447	2,835	–	–
Non–current				
Employee benefits	1,512	1,667	–	–
Total non–current	**1,512**	**1,667**	**–**	**–**
Total provisions	**3,959**	**4,502**	**–**	**–**
Movements in sundry provisions				
Carrying amount at the beginning of the year	1,546	1,292	–	–
Additional provisions recognised	606	915	–	–
Amounts utilised	(1,115)	(661)	–	–
Carrying amount at the end of the year	**1,037**	**1,546**	**–**	**–**

* Sundry provisions include employee sick leave provisions, insurance excess/deductible amounts for public liability insurance, fringe benefits tax provisions and other royalty provisions.

25. Other liabilities

Security deposits	1,622	856	–	–
	1,622	**856**	**–**	**–**

26. Deferred tax liabilities

The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Prepayments	116	118	–	–
Accrued revenue	7	–	–	–
Depreciation	2,194	99	–	–
Financial assets at fair value through profit or loss	675	–	–	–
Net deferred tax liabilities	**2,992**	**217**	**–**	**–**
Movements				
Balance at the beginning of the year	217	181	–	–
Charged to the Income Statement (Note 10)	712	36	–	–
Acquisition of subsidiary	2,063	–	–	–
Balance at the end of the year	**2,992**	**217**	**–**	**–**
Deferred tax liabilities to be settled after more than 12 months	2,992	217	–	–
	2,992	**217**	**–**	**–**

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27. Contributed equity

No. of stapled securities	Details	Date of income entitlement	Note	Consolidated 2006 $'000	Parent 2006 $'000	Consolidated 2005 $'000	Parent 2005 $'000
179,039,599	Stapled securities on issue	30 Jun 2005			173,105		172,499
1,718,390	DRP issue	1 Jul 2005	(i)		3,176		3,135
2,109,625	DRP issue	1 Jan 2006	(i)		4,863		4,796
–	Issue costs paid	30 Jun 2006			(60)		(60)
–	Transfer to retained profits – realised items	30 Jun 2006			(4,045)		(4,045)
182,867,614	Stapled securities on issue	30 Jun 2006		177,039	177,039	176,325	176,325
2,341,325	DRP issue	1 Jul 2006	(i)	5,624		5,560	
1,650,312	Performance fee securities	1 Jul 2006	(ii)	4,045		4,045	
26,131,000	Placement	1 Jul 2006	(iii)	70,554		69,432	
1,538,332	Security purchase plan	1 Jul 2006	(iv)	4,150		4,108	
(669,395)	Executive securities plan	30 Nov 2006	(v)	(2,000)		(1,972)	
2,287,658	DRP issue	1 Jan 2007	(i)	6,674		6,580	
–	Transfer to retained profits – realised items	30 Jun 2007		(326)		(326)	
–	Issue costs paid			(1,197)		(1,197)	
216,146,846	**Stapled securities on issue**	**30 Jun 2007**		**264,563**	**177,039**	**262,555**	**176,325**

As noted in Note 2, the units on issue in the Trust were classified as debt until 23 December 2005. This note reflects the position as if the units had been equity for the full year.

(i) Distribution reinvestment plan

The Group has established a distribution reinvestment plan (DRP) under which stapled security holders may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than being paid in cash. The discount available on stapled securities issued under the DRP is 2.0% on the market price.

(ii) Performance fee securities

Information relating to the performance fee paid to the Manager is detailed in Note 7.

(iii) Placement

On 5 September 2006, the Group made a placement of 26,131,000 stapled securities at an issue price of $2.70 per security. The securities were entitled to the interim distribution payable for the half year ended 31 December 2006.

(iv) Securities purchase plan

On 11 September 2006, the Group issued 1,538,332 stapled securities at an issue price of $2.70 per security. The securities were entitled to the interim distribution payable for the half year ended 31 December 2006.

(v) Executives securities plan

Stapled securities in the Group have been acquired by the employees of MLOL, funded by a loan from the Trust, as part of MLOL's executive securities plan (ESP). These securities will be issued to employees in the future when certain performance targets are achieved. As there are vesting conditions attached to these securities, the Group is deemed to control them. In accordance with Australian Accounting Standards, the purchase of securities under the ESP is treated as a purchase of the Group's own securities and accordingly, the contributed equity account has been reduced.

Further information relating to the ESP is detailed in Note 28.

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28. Security based payments

In October 2006, MLOL's ESP was established, whereby eligible MLOL executives are provided the opportunity to acquire stapled securities in the Group (referred to as Plan Securities).

Under the ESP, the Plan Securities are acquired at market price and are held in the executives' names. The acquisition cost is funded by a non-recourse loan provided by the Trust, secured by a mortgage over the Plan Securities. While the Plan Securities are pledged as security for the loan or are the subject of vesting criteria (detailed below), the Plan Securities cannot be sold, transferred or otherwise disposed of.

One-third of the Plan Securities will vest on the second, third or fourth anniversaries respectively from the date of grant if the vesting criteria is met on the relevant anniversary.

For the vesting criteria to be met, the executive must be an employee of MLOL at the time, and the Total Shareholder Return (TSR) requirements must be achieved.

In order to meet the TSR requirement, the Group's TSR is compared to a Benchmark Index, comprised 50% the accumulated Property Trust 300 Index and 50% the accumulated ASX 300 Small Ords Index.

- Where the Benchmark Index is below 12.5%, the vesting criteria will be a TSR of 12.5%;
- Where the Benchmark Index is above 12.5%, the vesting criteria will be the Benchmark Index return; and
- Where TSR is above the Benchmark Index return but below 12.5%, the board will have discretion on vesting.

The loan has a four year term and is subject to interest calculated at the Trust's funding cost, which at 30 June 2007 was 6.73% per annum. Interest is payable six monthly at the time the distributions are paid on the Plan Securities. All distributions received by executives on the Plan Securities must be used to pay interest accrued on the loan. If there is any shortfall between the accrued interest and distributions paid, the executive must pay the shortfall.

On repayment of the loan, if the value of the Plan Securities transferred is less than the total amount of the loan owing by the executive to the Trust, no further amount is repayable by the executive.

The loan will become immediately repayable on termination of employment. Plan Securities that have not vested must be sold to repay the loan in full. If the Plan Securities have vested, the loan must be repaid within three months from termination date.

Fair value of securities granted

Under the requirement of AASB 2 Share Based Payment, loans granted under the ESP are accounted for as 'options' to employees because of the non-recourse loan feature. The fair value of the 'options' was calculated as 25.7 cents per security. The options are considered to be equity settled share based payments under AASB 2.

The trinomial options pricing model used to calculate fair value, takes into account the grant date, underlying market price, exercise price, dividend yield, volatility, risk-free interest rate, employee exit rate and market vesting conditions.

	Consolidated 2007 $'000	Consolidated 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Securities issued under the plan to participating executives:				
Plan Securities	669,395	–	669,395	–

Each executive was issued with Plan Securities at the weighted average market price of $3.00.

Grant date	Expiry date	Exercise price	Balance at the beginning of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
30 Nov 2006	30 Nov 2010	$3.00	–	669,395	–	669,395	–

The expense recorded in the year with relation to the options was $38,456 (2006: $nil)

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29. Reserves

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Asset revaluation reserve				
Opening balance	96,415	32,108	–	–
Revaluation – Bowling group*	2,452	3,382	–	–
Revaluation – Dreamworld**	61,890	62,998	–	–
Transfer to retained profits – realised items	(2,476)	(2,073)	–	–
Closing balance	158,281	96,415	–	–
Capital reserve				
Opening balance	2,890	3,125	2,890	3,125
Pre–opening expenses	(1,914)	–	(1,914)	–
Due diligence costs written off on acquisitions not completed	(332)	–	–	–
Transfer to retained profits – unrealised items	(279)	(235)	(279)	(235)
Closing balance	365	2,890	697	2,890
Cash flow hedge reserve				
Opening balance	1,296	–	1,296	–
Adjustment on adoption of AASB 132 and 139	–	(209)	–	(209)
Movement in effective cash flow hedges	1,667	1,505	1,667	1,505
Closing balance	2,963	1,296	2,963	1,296
Foreign currency translation reserve				
Opening balance	(77)	–	–	–
Translation of foreign operations	116	(77)	–	–
Closing balance	39	(77)	–	–
Security based payment reserve				
Opening balance	–	–	–	–
Option expense for the year	38	–	38	–
Closing balance	38	–	38	–
Employee share plan reserve				
Opening balance	–	–	–	–
Expense for the year	(28)	–	(28)	–
Closing balance	(28)	–	(28)	–
Performance fee reserve				
Opening balance	4,045	–	4,045	–
Recognition of performance fee[1]	326	4,045	326	4,045
Performance fee securities issued	(4,045)	–	(4,045)	–
Closing balance	326	4,045	326	4,045
Total reserves	**161,984**	**104,569**	**3,996**	**8,231**

* The revaluation of the Bowling group consists of $1,992,000 independent valuation gains (2006: $3,041,000) and $460,000 revaluation (2006: $341,000) as a result in a change of accounting policy on 1 July 2005 to treat certain assets as property, plant equipment instead of investment properties.

** The revaluation of Dreamworld consists of $59,874,000 independent valuation gains (2006: $61,266,000) and $2,016,000 revaluation as a result of the transition to AIFRS (2006: $1,732,000) as a result in a change of accounting policy on 1 July 2005 to treat certain assets as property, plant equipment instead of investment properties.

[1] Under AASB 2 Share Based Payment, the Group was required to record an increase in equity of $328,848 (2006: $4,045,080) for the stapled securities it issued in satisfaction of payment of the performance fee. These stapled securities will be issued in September 2007 (2006: September 2006).

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29. Reserves (cont.)

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment

The capital reserve is used to record one-off costs incurred in the identification of new acquisitions or development of new sites which are not able to be capitalised by the Group

Exchange differences arising on the translation of foreign controlled entities are taken to the foreign currency translation reserve. In addition, on consolidation, exchange differences on loans denominated in foreign currencies are taken directly to the foreign currency translation reserve where the loan is considered part of the net investment in that foreign operation.

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity as described in Note 1 (o) (ii)).

The security based payment reserve is used to recognise the fair value of options issues to employees but not yet exercised under MLOL's ESP. Refer Note 28.

The employee share plan reserve is used to recognise the interest expense charged to employees on the loan and the dividends paid to employees on the stapled security issued as part of MLOL's ESP.

The performance fee reserve is used to recognise the fair value of shares not yet issued to the Manager in settlement for the performance fee earned in the year.

30. Retained profits

	Consolidated 2007 $'000	Consolidated 2006 $'000	**Parent 2007 $'000**	Parent 2006 $'000
Retained profits – realised items				
Opening balance	28,539	20,835	33,982	26,836
Distributable earnings	40,596	32,174	37,966	31,616
Available for distribution	69,135	53,009	71,948	58,452
Distribution paid and payable	(30,824)	(24,470)	(30,824)	(24,470)
Closing balance	**38,311**	**28,539**	**41,124**	**33,982**

The distribution of 9.1 cents per stapled security for the half year ended 30 June 2007 totalling $19.7 million had not been declared at year end. This will be paid on 30 August 2007 as described in Note 41.

Retained profits – unrealised items				
Opening balance	12,385	169	100,316	23,793
Property valuation gains	13,528	11,922	75,394	76,229
Transfer from capital reserve	279	235	279	235
Straight-lining of fixed rent increases	(1,370)	–	(1,370)	–
Net gain on derivative financial instruments	714	59	714	59
Closing balance	**25,536**	**12,385**	**175,333**	**100,316**
Total retained profits	**63,847**	**40,924**	**216,457**	**134,298**

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31. Business combinations

Sydney Boat Share

On 20 July 2006, the Group acquired an interest in the business of Sydney Boat Share, a fractional boat ownership business, for cash consideration of $250,000. No estimates of consolidated revenue or consolidated profits have been provided due to the start-up nature of the business, as any projections would be considered misleading.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	250
Direct costs relating to the acquisition	215
Total purchase consideration	**465**
Fair value of net identifiable assets acquired	–
Goodwill	**465**

There were no assets and liabilities arising from the acquisition.

The goodwill is attributable to the business and synergies expected to arise after the Group's acquisition of the business.

Kingpin

On 1 August 2006, the Group acquired several businesses from Entertainment Development Group Pty Ltd for $11.7 million including acquisition costs. The businesses include two Kingpin bowling centres located in Richmond and within the Crown Entertainment Complex in Victoria, and associated amusement machine and leisure facilities also within the Crown Entertainment Complex.

The acquired businesses contributed revenues of $6.5 million and net profit of $349,000 to the Group for the period from 1 August 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the financial year ended 30 June 2007 would have been $7.1 million and $381,000 respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration	
Cash paid	11,672
Direct costs relating to the acquisition	38
Total purchase consideration	**11,710**
Fair value of net identifiable assets acquired	7,845
Goodwill	**3,865**

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31. Business combinations (cont.)

Kingpin (cont.)

The goodwill is attributable to the business and synergies expected to arise after the Group's acquisition of the business. The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	$'000	$'000
Property, plant and equipment	7,118	7,118
Inventories	165	165
Receivables	637	637
Deferred tax assets	32	32
Employee benefit liabilities	(107)	(107)
Net identifiable assets acquired	**7,845**	**7,845**

Main Event

On 30 August 2006, the Group purchased the business of Main Event Inc for the cash consideration of $60.0 million (US$45.0 million) excluding the estimate for the earn out. Main Event is one of the largest operators of indoor family entertainment centres in the United States' southwest, with six sites in Texas.

The acquired business contributed revenues of $40.5 million and net profit of $5.7 million to the Group for the period from 30 August 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the financial year ended 30 June 2007 would have been $48.9 million and $6.8 million respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	60,032
Direct costs relating to the acquisition	1,232
Deferred settlement	4,889
Total purchase consideration	**66,153**
Fair value of net identifiable assets acquired	14,728
Goodwill	**51,425**

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31. Business combinations (cont.)

Main Event (cont.)

The goodwill is attributable to the business and synergies expected to arise after the Group's acquisition of the business. The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	$'000	$'000
Cash	4,947	4,947
Property, plant and equipment	15,590	15,977
Receivables	109	109
Inventories	1,246	1,246
Prepayments	948	948
Current tax receivable	797	797
Other assets	3,465	3,465
Notes payable to shareholders	(4,343)	(4,343)
Trade payables	(1,308)	(1,308)
Other liabilities	(4,899)	(4,899)
Deferred tax liabilities	(2,112)	(2,211)
Net identifiable assets acquired	**14,440**	**14,728**

Under the AASB 3 Business Combinations, the Group has 12 months to finalise the acquisition accounting for Main Event. Small changes to the fair value of the assets acquired may occur after the reporting date. The deferred settlement represents the earn out payable to previous shareholders of Main Event Entertainment, Inc, which is a calculation based on profitability over and above certain hurdles. If management's best estimate of the earn out changes, any change in value of the earn out provision will be recorded against goodwill.

Panmure Superbowl

On 19 March 2007, the Group acquired the business of Panmure Superbowl, a bowling centre operated in Auckland, New Zealand.

The acquired business contributed revenues of $567,000 and net profit of $11,000 to the Group for the period from 19 March 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the year ended 30 June 2007 would have been $1,945,000 and $40,000 respectively.

	$'000
Purchase consideration	
Cash paid	1,513
Direct costs relating to the acquisition	57
Total purchase consideration	**1,570**
Fair value of net identifiable assets acquired	603
Goodwill	**967**

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31. Business combinations (cont.)

Panmure Superbowl (cont.)

The goodwill is attributable to the business and synergies expected to arise after the Group's acquisition of the business. The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	$'000	$'000
Inventories	67	67
Property, plant and equipment	410	410
Prepayments	20	20
Other assets	127	127
Employee benefit liabilities	(13)	(13)
Other liabilities	(8)	(8)
Net identifiable assets acquired	**603**	**603**

Village Bowl

On 22 May 2007, the Group acquired Village Bowl, a bowling centre business in Adelaide, South Australia.

The acquired business contributed revenues of $203,000 and net profit of $20,000 to the Group for the period from 14 May 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the year ended 30 June 2007 would have been $1,626,000 and $161,000 respectively.

	$'000
Purchase consideration	
Cash paid	1,258
Direct costs relating to the acquisition	95
Total purchase consideration	**1,353**
Fair value of net identifiable assets acquired	517
Goodwill	**836**

The goodwill is attributable to the business and synergies expected to arise after the Group's acquisition of the business. The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	$'000	$'000
Inventories	17	17
Property, plant and equipment	510	510
Other assets	31	31
Employee benefit liabilities	(33)	(33)
Other liabilities	(8)	(8)
Net identifiable assets acquired	**517**	**517**

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31. Business combinations (cont.)

Summary of purchase consideration

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Outflow of cash to acquire business/subsidiary, net of cash acquired				
Cash consideration	81,251	5,499	6,620	–
Less balances acquired –				
Cash	(4,947)	(21)	–	–
Overdrafts	–	2	–	–
Deferred settlement	(4,889)	–	–	–
	(9,836)	(19)	–	–
Outflow of cash	**71,415**	**5,480**	**6,620**	**–**

32. Cash and cash equivalents

For the purposes of the Cash Flow Statements, cash includes cash in banks. Cash as at 30 June 2007 as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash at bank	16,958	15,700	5,838	3,126
Cash on deposit	1,004	228	–	–
Total cash and cash equivalents	**17,962**	**15,928**	**5,838**	**3,126**

Cash at bank and deposits at call bear floating interest rates between 5.35% and 6.20% (2006: 5.45% and 5.70% per annum). Deposits have an average maturity of 30 days.

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33. Cash flow information

(a) Reconciliation of profit to net cash flows from operating activities

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Profit	47,857	994	110,464	66,816
Non–cash items				
Depreciation of property, plant and equipment	11,584	6,579	5,581	4,167
Profit associated with minority interest	563	–	–	–
Amortisation	149	149	99	99
Depreciation of livestock	61	184	–	–
Finance costs	–	37,043	–	37,043
Impairment of goodwill	4	1,474	–	–
Loss on sale of assets	1	511	–	511
Security based payments	38	–	–	–
Performance fee	326	4,045	326	4,045
Provision for doubtful debts	(319)	269	–	–
Loss on sale of non-current assets	61	414	–	–
Net foreign exchange difference	(179)	71	–	–
Revaluation of assets	(13,528)	(11,922)	(75,394)	(76,229)
Classified as financing activities				
Borrowing costs	8,223	6,494	8,206	6,494
Classified as investing activities				
Movement in fair value of derivatives	(714)	(131)	(714)	(131)
Changes in asset and liabilities				
(Increase)/decrease in assets –				
Receivables	(2,226)	1,895	(795)	2,868
Inventories	(1,013)	259	–	–
Other	(1,280)	1,010	(649)	(85)
Increase/(decrease) in liabilities –				
Payables	6	(810)	2,500	(3,242)
Provisions	(581)	(52)	–	–
Other liabilities	1,938	491	–	–
Current tax liabilities	671	(313)	–	–
Deferred income	1,156	36	–	–
Deferred tax liabilities	563	–	–	–
Minority interest	3,726	–	–	–
Net cash flows from operating activities	**57,087**	**48,690**	**49,624**	**42,356**

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Notes to the financial statements

for the year ended 30 June 2007

33. Cash flow information (cont.)

(b) Non-cash financing and investing activities

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
The following items are not reflected in the Cash Flow Statements:				
Distributions by the Group satisifed during the year by the issue of stapled securities under the distribution reinvestment plan	**12,298**	**8,039**	**12,140**	**7,931**

34. Net tangible assets

	Consolidated 2007 $'000	Consolidated 2006 $'000
Net tangible assets are calculated as follows:		
Total assets	704,135	458,254
Less: Intangible assets	(63,904)	(11,407)
Less: Total liabilities	(213,741)	(135,722)
Net tangible assets	**426,490**	**311,125**
Total number of stapled securities on issue	216,146,846	182,867,614
Net tangible asset backing per stapled security	$1.97	$1.70

35. Related party disclosures

(a) Directors

The following persons were directors of the Manager during the financial year:

Neil Balnaves (Chairman)

George Bennett

Anne Keating

Simon Jones

John Wright (appointed 10 May 2007, resigned 10 May 2007 as alternate for Anthony Fehon and Simon Jones)

Anthony Fehon (resigned 10 May 2007).

The following persons have held office as directors of MLOL during the financial year:

Neil Balnaves (Chairman)

Anne Keating

Bruce Scott

John Wright (appointed 10 May 2007, resigned 10 May 2007 as alternate for Anthony Fehon)

Anthony Fehon

(b) Parent entity

The parent entity of the Group is Macquarie Leisure Trust.

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35. Related party disclosures (cont.)

(c) Controlled entities

The Trust's interest in controlled entities is disclosed in Note 21.

(d) Transactions with related parties of the Manager

Related bodies corporate of the Manager held 10,893,926 stapled securities as at 30 June 2007 (2006: 8,663,413 stapled securities).

Macquarie Bank Limited (MBL) will be reimbursed $170,000 for the cost of providing accounting services to the Trust for the year ended 30 June 2007 (2006: $60,000).

MBL, the ultimate holding company of the Manager, had a 100% shareholding interest in the Manager as at 30 June 2007.

Macquarie Asset Services Limited was paid $554,692 (2006: $444,177) for property consulting provided for the year.

The Manager received a base management fee of $2,571,576 (2006: $2,049,886). In addition, a performance fee of $325,848 (2006: $4,045,080) was provided for. Refer to Note 7 for further details on Manager's fees.

A director, Neil Balnaves, is a director and shareholder of Southern Cross Broadcasting (Australia) Limited which is the parent entity of Southern Star Group Limited (SSG). In 2001, SSG entered into an agreement to ensure that the Big Brother television series was produced exclusively at Dreamworld for up to five series. This agreement was assigned to MLOL as part of the group restructure on 1 July 2003. In July 2006, the Group entered into a new agreement with SSG for the production of the Friday Night Games series and a maximum of three new series of Big Brother at Dreamworld.

MLOL also provided additional consumables during the current financial period to support SSG during its period of television production.

Under clause 16.6 of MLOL's Constitution, directors are paid all travelling, accommodation, and other expenses properly incurred by them in attending and returning from meetings of the board or any committee of the board in the execution of their duties as directors.

Below is a table identifying transactions between SSG Limited and MLOL:

	Consolidated 2007 $	Consolidated 2006 $
Big Brother capital contribution payable to SSG	750,000	120,000
Expenses recoverable from SSG	(631,453)	(749,979)

All agreements have been entered into on normal commercial bases. The above fees and transactions were all based on normal commercial terms and conditions. Related party balances above are on interest free terms.

Apart from the details disclosed in these financial statements, no director has entered into a material contract with the Group and there were no material contracts involving directors' interests existing at year end not previously disclosed.

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Notes to the financial statements

for the year ended 30 June 2007

35. Related party disclosures (cont.)

(e) Transactions with controlled entities

All transactions with controlled entities were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Outstanding balances are unsecured and are repayable in cash. The transactions incurred in the year with controlled entities were:

	Consolidated 2007 $	Consolidated 2006 $	**Parent 2007 $**	Parent 2006 $
Revenue from rentals received from controlled entities	–	–	63,122,978	54,782,363
Interest received from controlled entities	–	–	5,728,037	1,068,000
	–	**–**	**68,851,014**	**55,850,363**

In addition to the above transactions, the Trust will reimburse MLOL for any costs MLOL incurs on behalf of the Trust. These will include the payment of property expenses and capital expenditure for investment properties and property, plant and equipment.

The balances with controlled entities at the end of the year were:

Interest bearing receivables from controlled entities	–	–	84,422,829	8,751,681
Payable to controlled entities	–	–	(1,227,082)	(5,443,413)
	–	**–**	**83,195,746**	**3,308,268**

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Outstanding balances are unsecured and are repayable in cash.

(f) Key management personnel

The key management personnel of the Group are the directors, the Manager and the following executives:

Greg Shaw (Chief Executive Officer)

Richard Johnson (Chief Financial Officer)

Stephen Gregg (CEO, Dreamworld)

Roy Menachemson (CEO, Bowling Operations Australia)

Lachlan MacLean (CEO, d'Albora Marinas)

Dave Smith (CEO, Main Event Entertainment)

Neil Hupfauer (President, Main Event Entertainment).

(g) Key management personnel compensation

	2007 $	2006 $
Short term benefits	1,905,222	1,389,700
Post employment benefits	131,088	56,481
Security based payments	20,190	–
	2,056,500	**1,446,181**

At balance date, an amount of $nil (2006: $1,000) was due from SSG Limited for reimbursement of expenses in relation to the Big Brother television series. No other amounts were receivable from, and/or payable to, other director related entities at balance date.

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35. Related party disclosures (cont.)

(g) Key management personnel compensation (cont.)

The Group has taken advantage of the relief provided by Corporations Regulations 2.m.6.04 and has transferred the Group's detailed remuneration disclosures to the directors' report. The relevant information can be found in section (b) of the remuneration report on pages 37 and 38.

Remuneration for Macquarie Leisure Trust (excluding MLOL and its subsidiaries) are disclosed below:

2007	Short term benefits		Post employment benefits		Other long term benefits			Security based payments	Total
	Salary	Bonus	Super-annuation	Retirement	Retention	Other	Termination		
	$	$	$	$	$	$	$	$	$
Key management personnel									
Executive directors									
Anthony Fehon	–	–	–	–	–	–	–	–	–
Simon Jones	–	–	–	–	–	–	–	–	–
John Wright	–	–	–	–	–	–	–	–	–
Independent directors									
Neil Balnaves Chairman	19,266	–	1,734	–	–	–	–	–	21,000
George Bennett	23,853	–	2,147	–	–	–	–	–	26,000
Anne Keating	19,266	–	1,734	–	–	–	–	–	21,000
Bruce Scott	–	–	–	–	–	–	–	–	–
Other executives									
Greg Shaw Chief Executive Officer	–	–	–	–	–	–	–	–	–
Richard Johnson Chief Financial Officer	–	–	–	–	–	–	–	–	–
Stephen Gregg CEO, Dreamworld	–	–	–	–	–	–	–	–	–
Roy Menachemson CEO, Bowling Operations Australia	–	–	–	–	–	–	–	–	–
Lachlan MacLean CEO, d'Albora Marinas	–	–	–	–	–	–	–	–	–
Dave Smith CEO, Main Event Entertainment	–	–	–	–	–	–	–	–	–
Neil Hupfauer President, Main Event Entertainment	–	–	–	–	–	–	–	–	–
	62,385	**–**	**5,615**	**–**	**–**	**–**	**–**	**–**	**68,000**

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35. Related party disclosures (cont.)

(g) Key management personnel compensation (cont.)

2006	Short term benefits		Post employment benefits		Other long term benefits			Security based payments	Total
	Salary	Bonus	Super-annuation	Retirement	Retention	Other	Termination		
	$	$	$	$	$	$	$	$	$
Key management personnel									
Executive directors									
Anthony Fehon	–	–	–	–	–	–	–	–	–
Simon Jones	–	–	–	–	–	–	–	–	–
John Wright	–	–	–	–	–	–	–	–	–
Independent directors									
Neil Balnaves Chairman	11,927	–	1,073	–	–	–	–	–	13,000
George Bennett	13,761	–	1,239	–	–	–	–	–	15,000
Anne Keating	11,927	–	1,073	–	–	–	–	–	13,000
Bruce Scott	–	–	–	–	–	–	–	–	–
Other executives									
Greg Shaw Chief Executive Officer	–	–	–	–	–	–	–	–	–
Richard Johnson Chief Financial Officer	–	–	–	–	–	–	–	–	–
Stephen Gregg CEO, Dreamworld	–	–	–	–	–	–	–	–	–
Roy Menachemson CEO, Bowling Operations Australia	–	–	–	–	–	–	–	–	–
Lachlan MacLean CEO, d'Albora Marinas	–	–	–	–	–	–	–	–	–
	37,615	**–**	**3,385**	**–**	**–**	**–**	**–**	**–**	**41,000**

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35. Related party disclosures (cont.)

(h) Key management personnel equity holdings

The number of stapled securities held directly, indirectly or beneficially by the key management personnel or their related entities is:

	Stapled securities held 2007	Stapled securities held 2006
Neil Balnaves	196,000	196,000
George Bennett	130,902	121,762
Anne Keating	49,700	49,700
Bruce Scott	25,208	22,000
Anthony Fehon	n/a	70,000
Simon Jones	–	–
John Wright	–	–
Greg Shaw	83,864	72,550
Richard Johnson	11,305	10,671
Stephen Gregg	–	29,304
Lachlan MacLean	16,307	15,392
Roy Menachemson	49,123	46,366
Dave Smith	–	n/a
Neil Hupfauer	–	n/a

The aggregate number of stapled securities of the Group acquired or disposed of by key management personnel:

Acquisitions		
George Bennett	9,140	55,940
Anne Keating	–	9,000
Bruce Scott	3,208	1,385
Greg Shaw	11,314	4,565
Richard Johnson	634	671
Stephen Gregg	915	1,844
Lachlan MacLean	915	1,399
Roy Menachemson	2,757	46,366
	27,968	**121,170**

Disposals		
Stephen Gregg	30,219	–

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Notes to the financial statements

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35. Related party disclosures (cont.)

(i) Key management personnel option holdings

Options were granted to key management personnel as part of MLOL's ESP (Note 28).

The number of options over stapled securities in the Group held by the directors and key management personnel of the Group, including their personally related parties, is shown below:

	Opening balance	Granted as compensation	Exercised	Other changes	Closing balance	Vested and exercisable	Unvested
Stephen Gregg	–	149,999	–	–	149,999	–	149,999
Lachlan MacLean	–	99,894	–	–	99,894	–	99,894
Roy Menachemson	–	99,894	–	–	99,894	–	99,894
	–	**349,787**	**–**	**–**	**349,787**	**–**	**349,787**

No options have vested to date.

36. Segment information

Business segments

The Group is organised on a global basis into the following divisions by product and service type:

Theme park operations

This segment represents Dreamworld and WhiteWater World in Coomera, Queensland.

Marina operations

This segment represents seven d'Albora Marina properties, located in New South Wales and Victoria, and My Boatie, which operates a boat management and concierge services business in NSW.

Bowling operations

The bowling centre business segment comprises 50 centres.

Family entertainment centres

The segment results include trading for six sites from 30 August 2006 and trading for one site from 8 May 2007. The Main Event family entertainment centres include ten pin bowling, billiard tables, amusement games, food and beverage and conference facilities.

Fractional boat ownership

This segment represents a fractional boat ownership business in Sydney, New South Wales. MLOL owns 56% of the parent company within this structure and Ocean Angel Holdings Pty Ltd owns the remaining 44% which represents a minority interest in the Sydney Boat Share structure.

Other

This segment includes commission revenue received for Australian Tour Desk and management fees earned in managing the Adventure World theme park in Perth, Western Australia.

Geographical segments

Although the Group's divisions are managed on a global basis, they operate in two main geographical areas:

Australasia

The home country of the parent entity which is also the main operating entity. The areas of operation are principally theme park operations, marina operations and bowling operations.

United States of America

This comprises operations carried on in Texas, United States. The family entertainment centres business operates in this country.

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36. Segment information (cont.)

The Group's principal activity is to invest in the leisure and entertainment property market in Australia, New Zealand and the United States.

	Theme parks 2007 $'000	Marinas 2007 $'000	Bowling 2007 $'000	Family entertainment centres 2007 $'000	Fractional boat ownership 2007 $'000	Other 2007 $'000	Total 2007 $'000
Revenue before property valuation gains	96,749	20,620	88,095	40,967	1,036	1,985	249,452
Property valuation gains – investment properties		13,528					13,528
Total revenue	**96,749**	**34,148**	**88,095**	**40,967**	**1,036**	**1,985**	**262,980**
Depreciation and amortisation	(4,814)	(628)	(3,276)	(2,420)	(545)	(50)	(11,733)
Impairment of goodwill	–	–	(4)	–	–	–	(4)
Segment results	**30,077**	**21,430**	**7,329**	**6,608**	**(790)**	**1,928**	**66,582**
Unallocated expenses							(15,776)
Tax expense							(2,949)
Finance costs attributable to stapled security holders							–
Profit							**47,857**
Total assets	382,710	99,515	107,532	81,430	6,892	26,057	704,135
Total liabilities	(63,203)	(15,949)	(27,327)	(79,332)	(7,092)	(20,838)	(213,741)
Net assets/(liabilities)	**319,507**	**83,566**	**80,205**	**2,098**	**(200)**	**5,219**	**490,394**
Acquisitions of property, plant and equipment, investment properties and intangible assets	48,894	5,920	27,561	87,014	6,741		176,130

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36. Segment information (cont.)

	Theme parks 2006 $'000	Marinas 2006 $'000	Bowling 2006 $'000	Family entertainment centres 2006 $'000	Fractional boat ownership 2006 $'000	Other 2006 $'000	Total 2006 $'000
Revenue before property valuation gains	83,437	19,267	78,668	–	–	3,960	185,332
Property valuation gains – investment properties	–	11,922	–	–	–	–	11,922
Total revenue	**83,437**	**31,189**	**78,668**	**–**	**–**	**3,960**	**197,254**
Depreciation and amortisation	(3,780)	(638)	(2,260)	–	–	(50)	(6,728)
Impairment of goodwill	–	–	(1,474)	–	–	–	(1,474)
Segment results	**26,750**	**20,465**	**8,847**	**–**	**–**	**150**	**56,212**
Unallocated expenses							(17,290)
Tax expense							(885)
Finance costs attributable to stapled security holders							(37,043)
Profit							**994**
Total assets	285,128	85,985	74,741	–	–	12,400	458,254
Total liabilities	(75,679)	(22,687)	(30,209)	–	–	(7,147)	(135,722)
Net assets	**209,449**	**63,298**	**44,532**	**–**	**–**	**5,253**	**322,532**
Acquisitions of property, plant and equipment, investment properties and intangible assets	29,581	1,865	17,650	–	–	859	49,955

Secondary reporting – geographical segment

	Australasia 2007 $'000	**United States 2007 $'000**	**Total 2007 $'000**	Australasia 2006 $'000	United States 2006 $'000	Total 2006 $'000
Revenue before property valuation gains	208,485	40,967	249,452	185,332	–	185,332
Property valuation gains – investment properties	13,528	–	13,528	11,922	–	11,922
Total assets	622,705	81,430	704,135	458,254	–	458,254
Acquisitions of property, plant and equipment, investment properties and intangible assets	89,116	87,014	176,130	49,955	–	49,955

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37. Interest rate risk

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the weighted average interest rate by maturity as at 30 June 2007:

Consolidated	Floating interest rate	Fixed interest rate maturing							Total
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 year	More than 5 years	Non–interest bearing	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2007									
Assets									
Cash and cash equivalents	17,962	–	–	–	–	–	–	–	17,962
Receivables	–	–	–	–	–	–	–	8,102	8,102
Derivative financial instruments	–	–	–	–	–	–	–	3,843	3,843
Total financial assets	**17,962**	**–**	**–**	**–**	**–**	**–**	**–**	**11,945**	**29,907**
Weighted average interest rate (% per annum)	5.65%								
Liabilities									
Payables	–	–	–	–	–	–	–	41,552	41,552
Bank loan – term debt	162,787	–	–	–	–	–	–	–	162,787
Finance leases	–	164	138	–	–	–	–	–	302
Interest rate swaps	(98,074)	–	–	–	–	45,000	53,074	–	–
Total financial liabilities	**64,713**	**164**	**138**	**–**	**–**	**45,000**	**53,074**	**41,552**	**204,641**
Weighted average interest rate (% per annum)	6.92%	7.99%	7.99%			6.25%	5.62%		
Net financial liabilities	**(46,751)**	**(164)**	**(138)**	**–**	**–**	**(45,000)**	**(53,074)**	**(29,607)**	**(174,734)**
30 June 2006									
Assets									
Cash and cash equivalents	15,928	–	–	–	–	–	–	–	15,928
Receivables	–	–	–	–	–	–	–	5,550	5,550
Derivative financial instruments	–	–	–	–	–	–	–	1,427	1,427
Total financial assets	**15,928**	**–**	**–**	**–**	**–**	**–**	**–**	**6,977**	**22,905**
Weighted average interest rate (% per annum)	5.56%								
Liabilities									
Payables	–	–	–	–	–	–	–	30,511	30,511
Bank loan – term debt	99,155	–	–	–	–	–	–	–	99,155
Finance leases	–	146	132	138	65	–	–	–	481
Interest rate swap	(45,000)	–	–	–	–	–	45,000	–	–
Total financial liabilities	**54,155**	**146**	**132**	**138**	**65**	**–**	**5,000**	**30,511**	**130,147**
Weighted average interest rate (% per annum)	6.79%	8.12%	8.12%	8.12%	8.12%		6.40%		
Net financial liabilities	**(38,227)**	**(146)**	**(132)**	**(138)**	**(65)**	**–**	**45,000**	**(23,534)**	**(107,242)**

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37. Interest rate risk (cont.)

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000
Reconciliation of net financial liabilities to net assets			
Net financial liabilities as above		(174,734)	(107,242)
Non–financial assets and liabilities:			
Inventories	15	6,430	3,933
Current tax receivables		729	344
Other current assets	16	5,165	3,779
Investment properties	17	90,720	72,957
Property, plant and equipment	18	504,125	320,244
Construction in progress		–	18,648
Livestock		687	760
Intangible assets	19	63,904	11,407
Deferred tax assets	20	2,468	3,277
Provisions	24	(3,959)	(4,502)
Current tax liabilities		(527)	–
Other current liabilities	25	(1,622)	(856)
Deferred tax liabilities	26	(2,992)	(217)
Net assets per Balance Sheet		**490,394**	**322,532**

38. Contingent liabilities

BowlAustralia Holdings Pty Ltd

The Group has agreed to make a further payment to the past shareholders of BowlAustralia Holdings Pty Ltd with the payment conditional upon the opening of an additional bowling centre at Penrith in New South Wales.

No provision has been made for this bowling centre at 30 June 2007 as no commitments had been made to third parties or contracts signed for this centre.

Main Event Entertainment (Main Event)

The Group has entered into agreements with Neil Hupfauer (president, Main Event) and Dave Smith (CEO, Main Event) which entitles them to be paid a capital sum of US$125,000 each plus 25% of first year's EBITDA over 20% return on investment for each family entertainment centre beyond the Webster and Lubbock centres and opened while they continue to be employed by the Group.

No provision has been made for these incentive payments as no additional centres have been established.

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39. Capital and lease commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Property, plant and equipment				
Payable:				
Within one year	15,257	16,605	–	–
	15,257	**16,605**	**–**	**–**

(b) Lease commitments

The majority of the non-cancellable operating leases relate to property leases.				
Within one year	15,874	10,443	9,206	8,827
Later than one year but not later than five years	58,373	35,080	32,697	30,824
Later than five years	111,839	50,535	37,578	39,035
	186,086	**96,058**	**79,481**	**78,686**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	15,697	10,154	9,206	8,827
Later than one year but not later than five years	58,232	34,764	32,697	30,824
Later than five years	111,839	50,535	37,578	39,035
	185,768	**95,453**	**79,481**	**78,686**
Representing:				
Cancellable operating leases	–	72	–	–
Non cancellable operating leases	185,768	95,453	79,481	78,686
Finance leases	318	533	–	–
	186,086	**96,058**	**79,481**	**78,686**
Commitments in relation to finance leases are payable as follows:				
Within one year	176	243	–	–
Later than one year but not later than five years	142	290	–	–
Minimum lease payments	318	533	–	–
Future finance charges	(16)	(52)	–	–
Total lease liabilities	302	481	–	–
Representing lease liabilities:				
Current	164	146	–	–
Non current	138	335	–	–
	302	**481**	**–**	**–**

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Notes to the financial statements

for the year ended 30 June 2007

39. Capital and lease commitments (cont.)

(b) Lease commitments (cont.)

The Group leases various plant and equipment with a carrying value of $259,000 (2006: $406,000) under finance leases which expire within one to five years. In addition, the Group also holds hire purchase agreements for plant and equipment with a carrying value of $43,000 (2006: $75,000) which also expire within one to five years. The weighted average interest rate implicit in the leases is 7.99% per annum (2006: 8.12%).

40. Deed of cross guarantee

In 2006, MLOL, Bowling Centres Australia Pty Ltd, BowlAustralia Holdings Pty Ltd, Tidebelt Pty Ltd, and Bowling Centres Australia Catering Services Pty Ltd entered into a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, Bowling Centres Australia Pty Ltd has been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities & Investments Commission.

(a) Consolidated income statement and a summary of movements in consolidated retained profits

MLOL and Bowling Centres Australia Pty Ltd represent a 'Closed Group' for the purposes of the Class Order. Tidebelt Pty Ltd, BowlAustralia Holdings Pty Ltd, and Bowling Centres Australia Catering Services Pty Ltd are also wholly owned subsidiaries of MLOL and are party to the Deed of Cross Guarantee and therefore represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2007 of the Closed Group consisting of MLOL and Bowling Centres Australia Pty Ltd.

	2007 $'000	2006 $'000
Revenue from operating activities	193,539	172,722
Purchases of finished goods	(25,580)	(24,534)
Salary and employee benefits	(66,372)	(57,520)
Borrowing costs	(2,273)	(1,044)
Property expenses	(59,795)	(51,579)
Advertising and promotions	(11,393)	(11,909)
Repairs and maintenance	(6,322)	(5,207)
Pre–opening expenses	(1,256)	–
Impairment of goodwill	(4)	(9)
Other expenses	(16,290)	(19,093)
Profit before tax expense	4,254	1,827
Income tax expense	(1,599)	(819)
Profit	2,655	1,008

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40. Deed of cross guarantee (cont.)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2007 of the Closed Group consisting of Macquarie Leisure Operations Limited and Bowling Centres Australia Pty Ltd.

	2007 $'000	2006 $'000
Current assets		
Cash and cash equivalents	9,048	12,314
Receivables	8,152	9,346
Current tax receivables	73	
Inventories	4,840	3,795
Total current assets	**22,113**	**25,455**
Non-current assets		
Property, plant and equipment	2,311	870
Livestock	687	760
Intangible assets	9,502	2,524
Deferred tax assets	2,401	3,600
Investment in controlled entities	24,281	9,867
Total non-current assets	**39,182**	**17,621**
Total assets	**61,295**	**43,076**
Current liabilities		
Payables	17,470	10,027
Interest bearing liabilities	127	103
Provisions	2,869	2,415
Other	4,747	4,210
Total current liabilities	**25,213**	**16,755**
Non-current liabilities		
Interest bearing liabilities	24,333	19,595
Provisions	2,871	572
Deferred income tax liabilities	9	1,301
Total non-current liabilities	**27,213**	**21,468**
Total liabilities	**52,426**	**38,223**
Net assets	**8,869**	**4,853**
Equity		
Contributed equity	2,037	714
Reserves	38	–
Retained profits	6,794	4,139
Total equity	**8,869**	**4,853**

Notes to the financial statements

for the year ended 30 June 2007

41. Events occurring after reporting date

On 31 July 2007, the Group agreed to acquire Goodlife Health Club Holdings Pty Ltd for $60 million. The business operates 18 leasehold fitness centres in Australia, comprising 13 sites in Queensland, four sites in Victoria and one site in New South Wales. Three further sites are in the planning stage with another established site under a call option. The completion of the transaction remains subject to the assignment of property leases.

As the settlement details have not been finalised for the Goodlife Health Club chain, details of the net assets and goodwill acquired has not been disclosed as any projections would be considered misleading. The completion of the transaction remains subject to the assignment of property leases.

Subsequent to the end of the financial year, the financial markets have undergone a period of significant volatility due to US sub-prime debt concerns. Whilst the Group has no direct exposure to the sub-prime debt market, there is a risk that the flow on effects of this could impact future debt raisings and property valuations. The volatility has also impacted the USD/AUD exchange rate and should the rate remain at current levels for the remainder of the financial year, this could result in an increase in the value of the assets and liabilities of the Group, all other matters remaining unchanged. As at the date of this report, other than exchange rate movements the directors are not aware of any impact to the Group.

Subsequent to the year end, a distribution of 9.1 cents per stapled security has been declared by the Board of Directors. The total distribution amount of $19.7 million will be paid on 30 August 2007 in respect of the half year ended 30 June 2007.

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Directors' declaration to securityholders

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In the opinion of the directors of Macquarie Leisure Management Limited and Macquarie Leisure Operations Limited:

(a) the financial statements and notes set out on pages 47 to 108 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 Group's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations, its changes in equity and its cash flows, for the financial year ended on that date;

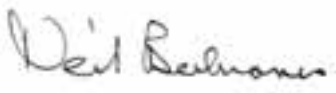
(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

(c) The audited remuneration disclosures set out on pages 35 to 41 of the directors' report comply with AASB 124 Related Part Disclosures and the Corporations Regulations 2001; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 40 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee as described in Note 40.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Neil Balnaves
Chairman

Sydney
29 August 2007

PRICEWATERHOUSECOOPERS

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Australia
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Telephone +61 7 3257 5000
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Independent auditor's report to securityholders of Macquarie Leisure Trust Group

Report on the financial reports and the AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Macquarie Leisure Trust (the Trust), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Macquarie Leisure Trust and Macquarie Leisure Trust Group (the consolidated entity). The consolidated entity comprises the trust and Macquarie Leisure Operations Limited and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporation Regulations 2001, MLOL has disclosed information about the remuneration of directors and executives ('remuneration disclosures') , required by Accounting Standards AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 35 to 41 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report.

The directors of Macquarie Leisure Limited, as the responsible entity for the Trust, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control 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 1, the directors also state, in accordance with Accounting Standards AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report , comprising the financial statements and notes, complies with the International Financial Reporting Standards.

The directors' are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to

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design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit out website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Macquarie Leisure Trust Group is in accordance with the Corporation Act 2001, including;

  (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2007 and of their 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; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report.

In our opinion, the remuneration disclosures in respect of Macquarie Leisure Operations Limited that are contained in pages 35 to 41 of the director's report comply with Accounting Standards AASB 124.

PricewaterhouseCoopers

Timothy J Allman
Partner

Brisbane, 29 August 2007

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Top 20 securityholders as at 31 August 2007

		Securities	%
1	JP Morgan Nominees Australia Limited	28,796,312	13.12
2	HSBC Custody Nominees (Australia) Limited	24,525,118	11.17
3	National Nominees Limited	19,979,219	9.10
4	Macquarie Life Limited <Shareholders Fund>	9,440,446	4.30
5	Citicorp Nominees Pty Limited <CFSIL Cfs Ws Small Comp A/c>	6,222,025	2.83
6	Citicorp Nominees Pty Limited <CFS Future Leaders Fund A/c>	5,399,437	2.46
7	Ragusa Pty Ltd <FAMDAL Super Fund P1 A/c> C/-Premier Wealth Management	4,132,494	1.88
8	Ragusa Pty Ltd <FAMDAL Super Fund P3 A/c> C/-Premier Wealth Management	3,633,891	1.66
9	Queensland Investment Corporation C/- National Nominees Limited	2,808,050	1.28
10	Citicorp Nominees Pty Limited <CFSIL Cwlth Property 1 A/c>	2,343,201	1.07
11	Bond Street Custodians Limited <Macquarie Smaller Co's A/c>	2,288,750	1.04
12	Cogent Nominees Pty Limited	2,158,344	0.98
13	ANZ Nominees Limited <Income Reinvest Plan A/c>	1,920,689	0.87
14	Citicorp Nominees Pty Limited	1,725,809	0.79
15	Macquarie Leisure Management Limited	1,650,312	0.75
16	ANZ Nominees Limited <Cash Income A/c>	1,632,232	0.74
17	Citicorp Nominees Pty Limited <CFSIL Cwlth Property 6 A/c>	1,618,967	0.74
18	Uniting Church In Australia Property Trust (Q)	1,493,748	0.68
19	Ragusa Pty Ltd <FAMDAL Super Fund P2 A/c>	1,250,000	0.57
20	RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/c>	1,081,363	0.49
Total securities held by top 20		**124,100,407**	**56.52**
Total securities on issue		**219,562,912**	**100**

Range of units summary as at 31 August 2007

Range	Holders	Securities	%
1 – 1,000	932	446,601	0.20
1,001 – 5,000	2,843	8,631,689	3.93
5,001 – 10,000	1,986	15,023,603	6.84
10,001 – 100,000	2,368	53,680,898	24.45
100,001 and over	102	141,780,121	64.57
Total	**8,231**	**219,562,912**	**100.00**

The total number of securityholders with less than the marketable parcel of 159 securities is 199.

Voting rights

On a poll, each securityholder has one vote for each dollar of the value of their total interest in the Trust and at shareholder meetings of MLOL, each shareholder has one vote for each dollar of value of their interest in MLOL.

Substantial Securityholder notices

Company	Date of change	Securities	%
Macquarie Bank Limited	6 Aug 07	15,823,039	7.29
Commonwealth Bank of Australia	11 Jul 07	15,491,739	7.15
Westpac Banking Corporation	27 Feb 07	14,199,787	6.62
Paradice Investment Management Pty Ltd	5 Jul 07	11,886,626	5.48
Famdal Investments Pty Limited	22 May 03	9,000,000	5.93

Distribution history

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Macquarie Leisure Trust

Period ended	New issue price	Distribution	Taxable amount		Tax deferred amount		Tax free amount		DRP issue price	Period end unit price
History	$	Cents/unit	Cents/unit	%	Cents/unit	%	Cents/unit	%	$	$
6 Jul 98	1.00[1]	–	–	–	–	–	–	–	–	–
31 Dec 98		4.70	1.58860	33.80	2.69451	57.33	0.41689	8.87	–	0.82
30 Jun 99		5.70	2.53080	44.40	2.73201	47.93	0.43719	7.67	0.7976	0.81
31 Dec 99		4.93	1.65697	33.61	2.83771	57.56	0.43532	8.83	0.8034	0.82
13 Jan 00	0.81[2]	–	–	–	–	–	–	–	–	–
30 Jun 00		5.57	0.26625	4.78	4.91218	88.19	0.39157	7.03	0.7858	0.81
31 Dec 00		3.30	1.53320	46.46	1.44050	43.65	0.32640	9.89	0.7078	0.74
30 Jun 01		3.70	1.90106	51.38	1.79894	48.62	–	–	0.5070	0.52
31 Dec 01		3.30	1.51110	45.79	1.78890	54.21	–	–	0.6415	0.67
30 Jun 02		3.70	1.05339	28.47	2.64661	71.53	–	–	0.6454	0.67
31 Dec 02		3.50	1.47665	42.19	2.02335	57.81	–	–	0.7000	0.70
30 Jun 03		4.00	1.49729	37.43	2.50271	62.57	–	–	0.7820	0.78

Macquarie Leisure Trust Group[3]

Period ended	New issue price	Distribution	Taxable amount		Tax deferred amount		Tax free amount		DRP issue price	Period end security price
History	$	Cents/ security	Cents/ security	%	Cents/ security	%	Cents/ security	%	$	$
31 Dec 03		4.20							0.9575	0.97
30 Jun 04		5.00							1.0344	1.06
Year to 30 Jun 04		**9.20**	**5.10600**	**55.50**	**3.96888**	**43.14**	**0.12512**	**1.36**		
31 Dec 04		5.20							1.6894	1.74
30 Jun 05		6.60							1.8481	1.97
Year to 30 Jun 05		**11.80**	**10.40958**	**88.22**	**1.39042**	**11.78**	**–**	**–**		
31 Dec 05		7.00							2.3050	2.48
30 Jun 06		7.50							2.4021	2.50
Year to 30 Jun 06		**14.50**	**9.48186**	**65.40**	**5.01814**	**34.60**	**–**	**–**		
31 Dec 06		8.00							2.9213	2.98
30 June 07		9.10							3.1894	3.30
Year to 30 June 07		**17.10**	**13.19952**	**77.19**	**3.50226**	**20.48**	**0.39822**	**2.33**		

(1) Initial Public Offer of Units in Macquarie Leisure Trust at $1.00 each.

(2) 1 for 5 Renounceable Rights Issue of units at $0.81 each.

(3) Trust was restructured effective 1 July 2003 to form a stapled entity consisting of Macquarie Leisure Trust and Macquarie Leisure Operations Limited.

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Keeping you informed and making investing easier

Investor benefits program

The investor benefits program aims to provide investors with an opportunity to experience and enjoy Macquarie Leisure assets. With a minimum of 2,000 stapled securities, the investor benefits program provides the following privileges:

Dreamworld & WhiteWater World

- receive two vouchers per annum to receive one complimentary admission to either Dreamworld or WhiteWater World when a second admission (of equal or greater value) is purchased. You can give one of these vouchers to someone else at your discretion
- benefit from a 10% discount on in-park purchases (conditions apply)

d'Albora Marinas

- enjoy a free subscription to d'Albora's Docklines magazine by calling 02 9960 7700

AMF/Bowl Australia/Kingpin

- 25% discount for securityholder and up to three (3) guests per visit off the standard game rate
- discount valid for one visit per day everyday of the year
- discount only available on two bowling games and shoe hire. Food and beverage and proshop purchases are excluded
- discount cannot be used in conjunction with any other offer

The investor benefits program does not have a material impact on the income of the group.

ASX listing

Macquarie Leisure Trust Group is listed on the Australian Securities Exchange (ASX). The ASX code under which the Group's ordinary securities trade is 'MLE'. Daily securities prices can be found in all major Australian metropolitan newspapers and on the ASX website.

Tax statements

Your annual tax statement for 2006/2007 is now available to view or print online. To access your tax statement visit the registry's website www.linkmarketservices.com.au and log into 'Access My Holdings'. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) along with your surname and postcode to log in.

Distributions

Distributions are payable twice a year and received by investors in August and February being approximately seven weeks after each half year end. To view distribution payment dates please visit our website www.macquarie.com.au/mle.

Distribution payment by direct credit

Why not have us bank your distribution payments for you via direct credit?

You can have immediate access to your distribution payment by requesting that it be credited directly to your nominated financial institution in Australia.

Not only can we do your banking for you but distributions paid by direct credit reach your account as cleared funds, so you can access them on payment date.

If you would like to have your distributions credited directly to your nominated account, please contact the unit registry and request direct credit form.

If you do receive distributions by cheque you are reminded to bank your cheque immediately. Under the Unclaimed Monies Act, the Trust is required to hand distribution cheques that are not banked over to the State Trustee.

Distribution reinvestment plan (DRP)

As an alternative to receiving cash distributions, you may elect to participate in the DRP. The DRP enables investors to use their distributions to purchase additional fully paid units, currently at a 1.0% discount to market. If you would like to participate in the DRP, contact the registry and request a DRP application form.

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Left to right:

Kerrie Lavey
Communications Manager

Cassandra Pearce
Marketing Executive

Kylie Butcher
Head of Investor Relations

Regular and open communication with investors is a top priority for the investor relations, marketing and communication team.

Investor communications

To access information about the Trust and provide feedback to our investor relations team, please visit our website www.macquarie.com.au/mle.

Here you will find:

- reports, media releases, newsletters and presentations
- performance and unit price information
- information about upcoming distributions and access to your holding information (via a link to the unit registry's website)
- frequently asked questions and answers

Alternatively, please direct all enquiries to:

Macquarie Leisure Management Limited
GPO Box 4294
Sydney NSW 1164

Telephone

1300 365 585 (within Australia)
+612 8232 6635 (outside Australia)

Facsimile

(02) 8232 6510 (within Australia)
+612 8232 6510 (outside Australia)

Email

reits@macquarie.com

Contact the unit registry

You can efficiently manage your information online 24 hours a day by visiting our unit registry's website www.linkmarketservices.com.au. By utilising this service you will be actively helping to reduce our impact on the environment – and choosing a convenient, timely and efficient method of managing your investment. To access your holding through the website, all you need is your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) along with your surname and postcode.

You can then:

- update your address (individual issuer sponsored investors only)
- update your bank account details (individuals only)
- confirm your TFN or ABN
- check unit prices
- view your transaction and distribution history details
- access your annual tax statement
- download a variety of instruction forms

You can also contact the unit registry at:

Link Market Services
Locked Bag A14
Sydney South NSW 1235

Telephone

1300 303 063 (within Australia)
+612 8280 7134 (outside Australia)

Facsimile

(02) 9287 0303 (within Australia)
+612 9287 0303 (outside Australia)

Email

registrars@linkmarketservices.com.au

Macquarie Digital

Investors can view recent interviews with the Trust's CEO and other leading industry figures on Macquarie Digital. Just visit www.macquarie.com.au/macquariedigital.

Investor complaints

Macquarie Leisure Management Limited and Link Market Services Limited are members of an independent dispute resolution scheme, the Financial Industry Complaints Service (FICS). Investors wishing to register a complaint should direct it as follows:

Complaints about the Trust

Macquarie Leisure Management Limited
GPO Box 4294
Sydney NSW 1164

Complaints about the unit registry

The Complaints Manager
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

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Macquarie's suite of property trusts

as at 30 June 2007

Macquarie's suite of listed and unlisted property trusts and funds aims to provide regular income and attractive total returns.

Invest where you work

Macquarie Office Trust (ASX: MOF)

Macquarie Office aims to be one of Australia's leading owners of office property with a portfolio that comprises predominantly high grade office buildings located in major business districts across Australia, Europe and the US.

Assets under management	$5.9 billion
Distribution yield	6.7%
Annualised return since listing	13.6%

Invest where you shop

Macquarie CountryWide Trust (ASX: MCW)

One of the largest grocery anchored listed property vehicles in the world, the trust's portfolio comprises assets across Australia, Europe, NZ and the US. Historically, performance has been underpinned by the generally resilient nature of non-discretionary, food based spending.

Assets under management	$5.7 billion*
Distribution yield	7.7%
Annualised return since listing	16.1%

*Includes European transactions settled in July 2007.

Invest where you play

Macquarie Leisure Trust Group (ASX: MLE)

Macquarie Leisure owns and operates some of Australia's iconic leisure assets including Dreamworld, WhiteWater World, d'Albora Marinas, AMF and Kingpin bowling and Main Event family entertainment centres.

Assets under management	$704 million
Distribution yield	5.1%
Annualised return since listing	28.5%

Unlisted funds

Macquarie Direct Property Fund (MDPF)

MDPF is an open ended unlisted property fund that invests in a growing portfolio of direct property, unlisted wholesale funds and listed property securities. Enhanced return potential is achieved by participating in a wide range of other property investment activities including leveraging Macquarie's global property investment pipeline.

Assets under management	$821 million*
Distribution yield	6.6%
Annualised return since inception	24.8%

*As at 1 July 2007.

Macquarie DDR Trust (ASX: MDT)

Investing predominantly in community shopping centres, Macquarie DDR gives investors exposure to a premium quality portfolio of US retail property in the expanding value and convenience sector.

Assets under management	$2.6 billion
Distribution yield	8.0%
Annualised return since listing	15.9%

Macquarie Property Income Fund (MPIF)

MPIF aims to provide high, tax effective income by using gearing to invest in property securities funds.

Assets under management	$141 million
Distribution yield	28.4%
Annualised return since inception	26.9%

For further information on any of the these products, please visit: www.macquarie.com.au/reits.

Corporate directory

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ABN 36 079 630 676

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Directors of Macquarie Leisure Management Limited
Neil Balnaves (Chairman)
George Bennett
Anne Keating
Simon Jones
John Wright

Directors of Macquarie Leisure Operations Limited
Neil Balnaves (Chairman)
Anne Keating
Bruce Scott
John Wright

Chief Executive Officer
Greg Shaw

Chief Financial Officer
Richard Johnson

Secretaries
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To arrange changes of address, or changes in registration of stapled securities, please contact the registry at the address or number listed above.

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Macquarie Leisure Trust Group

ARSN 093 193 438

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Due care and attention have been exercised in the preparation of forecast information. However, forecasts by their very nature are subject to uncertainty and contingencies and actual results may vary from any forecasts provided.

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