



**MACQUARIE LEISURE TRUST**  
ARSN 093 193 438  
Annual Report 2003

leisure

Macquarie Leisure Trust ARSN 093 193 438

Macquarie Leisure Management Limited (ABN 36 079 630 676) is a wholly owned subsidiary of Macquarie Bank Limited and is the Responsible Entity of Macquarie Leisure Trust.

Investments in Macquarie Leisure Trust (Trust) are not deposits with nor liabilities of Macquarie Bank Limited (ABN 46 008 583 542) nor any Macquarie Bank Group company and are subject to investment risk including possible delays in repayment and loss of income or principal invested. None of Macquarie Bank Limited, Macquarie Leisure Management Limited nor any Macquarie Bank Group company guarantees the performance of the Trust or the repayment of capital from the Trust.

This report does not contain investment advice nor is it an offer to invest in units of the Trust. This report has been prepared without taking into account the personal objectives, financial situation or needs of particular individuals. Before acting, we recommend potential investors speak to a financial and/or other professional adviser.

Macquarie Leisure Management Limited is entitled to fees for acting in the capacity of Responsible Entity.

Macquarie Bank Limited, its related bodies corporate and officers and directors of those entities may hold units in the Trust from time to time.

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INITIATIVES TAKEN TO REPOSITION THE TRUST THROUGHOUT 2001 AND 2002 HAVE HAD A FAVOURABLE IMPACT ON BOTTOM LINE PERFORMANCE AND UNIT PRICE.



## 01. Your Trust as at 30 June 2003

### HIGHLIGHTS

- Full year distribution was 7.50 cents per unit, up 7.1% compared to last year.
- Earnings per unit was 8.01 cents per unit up 12.5% compared to last year.
- Distributions payable totalled \$10.81 million, up 9.6% compared to last year.
- Unitholders voted overwhelmingly to restructure the Trust into a stapled security structure effective 1 July 2003.
- Nick Central was launched on 26 December 2002 and has successfully boosted Dreamworld's appeal to children, with attendance in this sector up 19.5% on last year.
- Rental income from Dreamworld was up 13% to \$14.82 million compared to last year.
- Rental income from d'Albora was up 11% to \$5.98 million compared to last year.
- Excess land at Dreamworld has been revalued from \$12 million to \$20.5 million to reflect rezoning to allow Town Centre uses.



## PERFORMANCE IN BRIEF

### For the Year ended 30 June 2003

	Year to 30 June 2003	Year to 30 June 2002
Net distribution per unit	7.50 cents	7.00 cents
Earnings per unit	8.01 cents	7.12 cents
Tax advantaged component	60.36%	63.41%
Net profit	\$11,536,000	\$10,022,000
Total distribution	\$10,808,000	\$9,857,000
Number of investors	7,241	7,057

## Following Restructure on 1 July 2003

	As at 1 July 2003	As at 30 June 2003	As at 30 June 2002
Total assets	\$174,645,000	\$163,270,000	\$148,709,000
Unitholders' equity	\$122,069,000	\$110,694,000	\$99,251,000
Net tangible assets per unit	\$0.81	\$0.76	\$0.69
Total borrowings	\$44,435,000	\$44,435,000	\$42,255,000
Gearing ratio (net debt/total assets)	25.4%	27.21%	28.4%
Number of units on issue	150,359,217	144,803,661	141,501,879



Big Brother Audience, Dreamworld

## 02. Chairman's Letter



Dear Investors

Over the past year, there have been a number of positive developments for Macquarie Leisure Trust.

Initiatives taken to reposition the Trust throughout 2001 and 2002 have had a favourable impact on bottom line performance and unit price, despite further upheaval in the tourism industry.

These initiatives have now been reinforced by the introduction of a more efficient stapled security structure which became effective on 1 July 2003. The new structure was overwhelmingly approved by Unitholders on 16 June 2003, and on 4 July 2003, the new Macquarie Leisure Trust Group began trading on the Australian Stock Exchange (ASX).

Realignment of the corporate structure is a milestone in the development of the Trust and is expected to result in a number of significant benefits to Unitholders, particularly through higher earnings and distributions per unit.

At the asset level, the capital investment strategy to reinforce Dreamworld's appeal in key teenage and children's demographic markets has achieved direct results.

Over the past three years, investments in the Big Brother reality television series, the Cyclone roller coaster and the Nick Central family attraction have successfully boosted Dreamworld's appeal in these critical segments. Each of these attractions has the potential to provide long-term appeal to visitors.

Dreamworld's popularity in domestic markets continues to drive overall attendance growth which was up 3.2% in 2003 from the prior corresponding period, and revenue growth, which was up 4.2%. This is a significant achievement given the recent pressures on international attendance.

Improved operating efficiencies, together with aggressive advertising and promotional strategies, have meant revenue growth has flowed through to increased rentals to the Trust. Rental income from Dreamworld increased by 13% to \$14.82 million for the year ended 30 June 2003.

After an extended consultation process, the Queensland Local Government Minister endorsed the new Gold Coast City Council Town Plan in May 2003. This Plan has resulted in the adoption of the Coomera Town Centre Local Area Plan, enabling the Trust's excess land next to Dreamworld to be rezoned from Tourism uses to Town Centre uses on an "as of right" basis.

This change in future use rights had a positive effect on the value of the excess land. Based on independent valuations, the land has been recorded at \$20.5 million in the June 2003 accounts against a book value of \$12 million as at 30 June 2002. The Board is now in a position to consider further strategies to maximise the ultimate value of this key asset for Unitholders.

The Trust's d'Albora Marinas portfolio continues to demonstrate stable earnings growth. Revenue increased by 5.1% for the year ended 30 June 2003 once again due to the marinas' prime locations, restrictions on new development and steady growth in demand for marina berths.

In addition, an emphasis on yield management, stringent control of labour costs and reconfiguration of land tenancies have all contributed to improved rental returns. Rental income from d'Albora Marinas increased by 11% to \$5.98 million for the year ended 30 June 2003.

Improved performances by Dreamworld and d'Albora Marinas have resulted in a 12.5% increase in earnings per unit for the year to 8.01 cents (prior year: 7.12 cents).

Distributions for the year totalled 7.5 cents per unit against 7.0 cents per unit paid in the prior year.

The results for the 2003 financial year and a favourable market reaction to the recent corporate restructure have been major contributors to the Trust's unit price performance. At 30 June 2003, the Trust's unit price was 78 cents, up from 67 cents 12 months earlier, representing a 16% increase.

The performance of the Trust over the past 18 months has demonstrated our ability to grow returns despite difficult market conditions. We are now well placed to capitalise on past strategic investments and selectively investigate investment opportunities that will have a positive impact on Unitholder returns.

The Board would like to thank management and staff for their significant contribution over the past year. We also thank investors for their support and encourage you to experience Trust assets through our investor benefits programme.

Yours faithfully



Neil Balnaves  
Chairman



## 03. Manager's Report to Unitholders

MACQUARIE LEISURE TRUST WAS RANKED THE NO. 1 HOTEL AND LEISURE TRUST IN THE 2003 BDO PROPERTY TRUST SURVEY.

Greg Shaw  
Chief Executive Officer



### Macquarie Leisure Trust Group Profile

Macquarie Leisure Trust was listed on the Australian Stock Exchange in July 1998. It is a special purpose property trust dedicated to investment in leisure based property assets.

Today, the Trust's property assets include the Dreamworld theme park on the Gold Coast and the d'Albora portfolio of four marinas in NSW.

On 16 June 2003, Unitholders of the Trust approved a proposal to create the Macquarie Leisure Trust Group.

Under the new structure, which became effective on 1 July 2003, Unitholders acquired 100% of a new operating company, Macquarie Leisure Operations Limited (MLOL). Shares in MLOL have been stapled to units in the Trust and now trade together as a single stapled security.

This new structure is anticipated to result in a number of direct benefits to Unitholders including:

- Higher earnings per unit and distributions per unit;
- A positive re-rating of the unit price to reflect higher forecast earnings;
- Increased net tangible assets; and
- Full alignment of interests between Unitholders and the operator of the assets.

### Trust Objectives and Strategy

The Trust seeks to provide a higher return than that available from traditional property trusts through the development of a diverse portfolio of leisure based property assets.

The following criteria are utilised in building the Trust's asset portfolio:

- Secure assets in close proximity to major domestic population centres;
- Provide an incremental positive impact upon distributions;
- Ensure quality and stability of earnings through exposure to multiple creditworthy tenants;
- Achieve diversity in income streams through investment in a range of asset classes and geographic locations; and
- Ensure assets rely predominantly on revenue from domestic leisure markets and limit exposure to international leisure markets.

Services provided by the Manager include:

- Management of the purchase and sale of portfolio assets;
- Management of the Trust's capital requirements and debt facilities;
- Management of underlying head leases;
- Management of property tenants; and
- Maximisation of land potential through strategic planning and where necessary limited development of land and improvements.



**UNITHOLDERS VOTED OVERWHELMINGLY TO RESTRUCTURE THE TRUST  
INTO A STAPLED SECURITY**

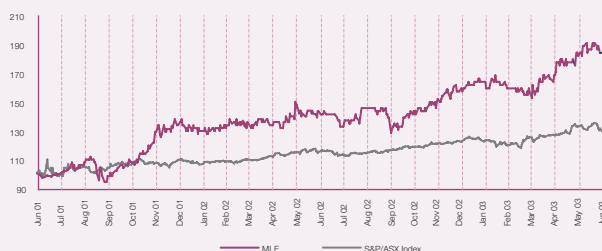


## 03. Manager's Report to Unitholders

### Unit Price Performance

The Trust unit price achieved steady growth in the 12 month period ended 30 June 2003.

#### *S&P/ASX 300 Property Trust Accumulation Index vs Macquarie Leisure Trust Group*



For those of you who have supported the Trust since its initial listing, these results bring accumulated returns to 20.4% over the original investment.

Despite poor unit price performance in the initial years after listing, the past year has demonstrated a strong recovery. Accumulated returns (income and capital) for Unitholders for the 12 months to 30 June 2003 equated to 28.3%, compared with 12.2% for the S&P/ASX 300 Property Accumulation Index.

Significant growth in the unit price has been driven by:

- Strong operational results at both Dreamworld and d'Albora Marinas which have boosted rental income;
- The corporate restructure to create the Macquarie Leisure Trust Group; and
- The adoption of the new Coomera Town Centre Local Area Plan, which has increased underlying asset values.

An outline of asset performance is set out in Section 4 of this Annual Report.

The performance of the Trust has been recognised by the industry with Macquarie Leisure Trust rated as the number one Hotel and Leisure Trust in the 2003 BDO Property Trust Survey.

### Earnings and Distributions

The Trust earnings per unit (EPU) for the full year equated to 8.01 cents representing an increase of 12.5% on the prior year EPU of 7.12 cents.

Distributions per unit (DPU) for the full year totalled \$10.81 million equating to 7.5 cents per unit. This represented an increase of 7.1% on the prior year DPU of 7.0 cents.

In accordance with a strategy to retain a portion of earnings for capital expenditure requirements, \$0.73 million in earnings was not distributed to Unitholders. This retained amount, together with ongoing depreciation provisions, will be utilised to finance future capital requirements at Dreamworld and d'Albora Marinas. These works will focus on investments to protect the physical integrity of property assets and to enhance existing or to develop new income streams.

### Distribution Reinvestment Plan

The Trust's Distribution Reinvestment Plan (DRP) allows Unitholders to utilise their distributions to acquire new units in the Trust at a 2.5% discount to the market price (based on an average closing price over five days). No brokerage is charged on the new units. For the distribution covering the half year to 30 June 2003, 19.6% of units participated in the DRP at an issue price of 78.2 cents.

### Assets

At 30 June 2003, total Trust assets equated to \$163.3 million. On 1 July 2003, subsequent to the restructure and upon adoption of new leases to Macquarie Leisure Operations Limited, total stapled security assets equated to \$174.6 million.

This investment was held in the following key assets:

	1 July 2003 \$million	30 June 2003 \$million
Dreamworld theme park	109.5	93.5
Dreamworld excess land	20.5	20.5
d'Albora Marinas	40.9	40.9
Omni Leisure Operations Ltd	-	4.6
Other assets	3.7	3.8
<b>Total</b>	<b>174.6</b>	<b>163.3</b>

## Valuations

Independent valuations have been completed reflecting the new leases as at 1 July 2003 as follows:

### ***Dreamworld Theme Park***

Valuer	Herron Todd White
Market valuation	\$109.5 million as at 1 July 2003

### ***d'Albora Marinas***

Valuer	LandMark White
Market valuation	\$42.1 million as at 1 July 2003

The market valuations detailed above have not been adopted for the purposes of the 30 June 2003 accounts. Directors' valuations of \$109.5 million and \$40.9 million respectively have been implemented from 1 July 2003.

## Insurance

In the year to 30 June 2003, increases of approximately 52% were incurred in insurance premiums on Trust policies. This compares to an increase of 23% incurred in the prior year. However, these increases have not had a material impact upon earnings.

Terrorism cover has once again been excluded from the industrial special risks policy and no specific terrorism insurance has been taken out by the Trust.

## Investor Benefits Programme

The investor benefits programme aims to provide Unitholders with an opportunity to experience and enjoy Trust assets. With a minimum of 2,000 units, the investor benefits programme provides the following privileges:

### ***Dreamworld***

- Receive two vouchers per annum to receive one free admission when a second admission of equal or greater value is purchased. You can give one of these vouchers to someone else at your discretion; and
- Benefit from a 10% discount on in-park purchases (conditions apply); and

### ***d'Albora Marinas***

- Receive priority wait listing for berthing at d'Albora Marinas at Rushcutters Bay, The Spit, Akuna Bay and Nelson Bay.

This programme does not have a material impact on the income of the Trust.

## Outlook

The outlook for the Trust for 2003/04 is for an increase in distributions as a result of a more efficient stapled structure, and a consolidation of recent improvements in property rentals.

If the restructure had been implemented on 1 July 2002, the anticipated full year impact to 30 June 2003 would have been to increase EPU from 8.01 cents to 8.91 cents. Assuming a consistent payout ratio, DPU for the same period would have increased from 7.5 cents to 8.34 cents.

The restructure was approved by Unitholders at an Extraordinary Meeting held on 16 June 2003 and became effective from 1 July 2003.

Rent for the Trust's major asset, Dreamworld, for the forthcoming year will also benefit from the full year effect of Nick Central which opened on Boxing Day 2002. The impact of Nick Central and other operational restructuring initiatives undertaken in the year to 30 June 2003 are outlined in Section 4 of this Annual Report.

The Manager will continue to investigate opportunities to acquire properties that meet the Trust's risk and return criteria.



The Spit, d'Albora Marinas



## 04. Property Portfolio

### Dreamworld

Location:	Coomera, QLD
Date of Purchase:	3 July 1998
Title:	Freehold
Site Area:	83.36 ha (including excess land)
Purchase Price:	\$100.3m (including excess land)
Valuation:	\$109.5m (as at 1 July 2003)
Tenant:	Macquarie Leisure Operations Limited (from 1 July 2003)

### Property Overview

Dreamworld, widely recognised as one of Australia's premier theme parks, celebrated its 21<sup>st</sup> birthday this year. The property is centrally located between Brisbane and the Gold Coast, next to the eight lane Pacific Highway. The property is also close to the Coomera railway station on the Brisbane to Gold Coast railway line.

### Attraction Mix

Dreamworld offers an attraction mix that appeals to a broad range of demographic segments.

Attractions include the Nick Cental family zone together with some of the tallest and fastest thrill rides in the world, including:

- Tower of Terror;
- Cyclone roller coaster;
- Giant Drop; and
- Wipe-out.

To complement these signature rides, Dreamworld boasts one of the largest native Australian wildlife parks in South East Queensland and the only interactive Tiger Island display in the Southern Hemisphere.

These major attractions are supported by 16 food and beverage, 16 retail merchandise and seven photographic outlets.

Dreamworld is also home to the Big Brother reality TV series. This has provided substantial national exposure to the Dreamworld brand and facilitated a unique interactive television studio attraction.

### Capital Expenditure and Attraction Strategy

A new themed attraction zone called Nick Central opened at Dreamworld on Boxing Day 2002. Nick Central offers a mix of rides and entertainment specifically targeting 4-12 year old children and their families.

Nick Central has successfully enhanced the park's appeal to this market segment with children's attendance up 19.5% on the prior year since opening.

Nickelodeon is one of Australia's most popular entertainment brands for children, producing many of today's highest rating children's cartoons including Rug Rats, Wild Thornberries, Sponge Bob Square Pants, Angry Beavers, Cat Dog and Blues Clues. An exclusive licensing agreement with Nickelodeon will enable the park to obtain ongoing benefits through association with the Nickelodeon brand.

The Trust has also enjoyed increased exposure and patronage as a result of its affiliation with the Big Brother television series. The third series of Big Brother was filmed at Dreamworld from 28 April to 21 July 2003 and the house reopened as an attraction in August 2003. Agreement has been reached to secure the production of series four and five at Dreamworld subject to sale of these series to television networks.

The future attraction strategy will be based on an appropriate mix of new hard rides, further experience based attractions and ongoing affiliations with complementary brands that align to our core demographic markets.



Dreamworld Characters



NICK CENTRAL HAS SUCCESSFULLY ENHANCED THE PARK'S APPEAL TO 4-12 YEAR OLD CHILDREN AND THEIR FAMILIES WITH **ATTENDANCE IN THIS SEGMENT UP 19.5% ON THE PRIOR YEAR SINCE ITS BOXING DAY 2002 OPENING.**



## 04. Property Portfolio

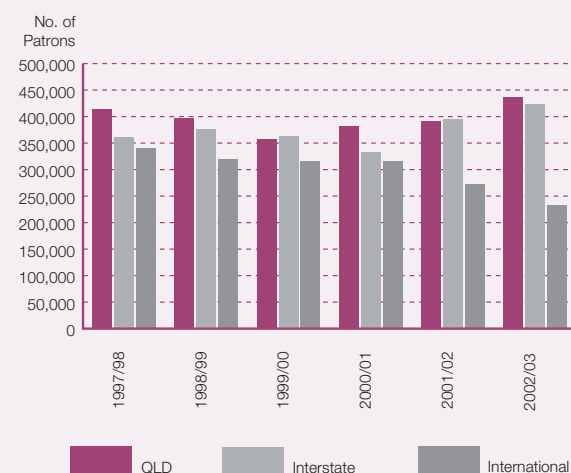
Tiger Island, Dreamworld



### Attendance Performance

Dreamworld derives revenue from a broad range of demographic segments and geographic sources. The success of recent investments in Big Brother, Cyclone and Nick Central have reinforced the park's popularity in domestic markets and more than offset the recent downturn in international attendance as a result of the war in Iraq and the SARS virus. Accordingly, the park is now well positioned to benefit from a recovery in international patronage.

A graph of trends in the source of Dreamworld's patrons is set out below:



Source of Patrons	This Year ('000)	2001/02 ('000)	Variance (%)
Queensland	436.8	391.0	+11.7%
Interstate	424.0	394.8	+7.4%
International	232.5	273.2	-14.9%
<b>Total</b>	<b>1,093.3</b>	<b>1,059.0</b>	<b>+3.2%</b>

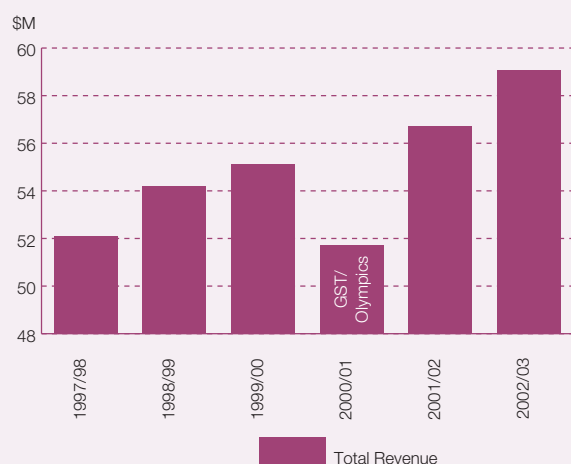
## 04. Property Portfolio

### Operating Performance

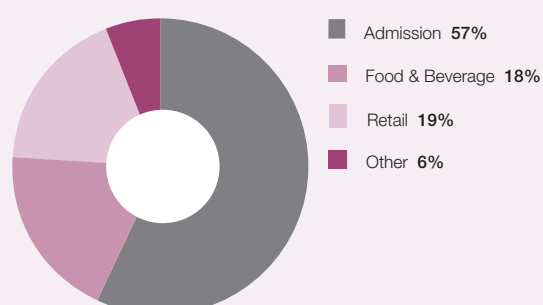
Revenue for Dreamworld for the full year increased by 4.2% to \$59.1 million. Attendance for the same period was up 3.2% while per capita expenditure increased by 0.9%.

Earnings before Rent, Interest, Tax and Depreciation (EBRITDA) over the same period increased by 15.9% to \$17.2 million.

	<i>This Year</i>	<i>2001/02</i>
Attendance ('000)	1,093.3	1,059.0
Per Capita Spend	\$54.04	\$53.53
Total Revenue (million)	\$59.1	\$56.7
EBRITDA (million)	\$17.2	\$14.9
Rent to Trust (million)	\$14.8	\$13.1



The resilience of the park's revenue performance has been assisted by the diversity of its revenue streams. In the year to 30 June 2003, 57% of total revenue was derived through admission, 18% through food and beverage revenue, 19% through retail revenue and 6% through other revenue sources.



Improved operating efficiencies were also achieved by Omni Leisure Operations Limited (Omni), the Park's tenant, as a result of emphasis being placed on the following key areas:

- Reduction in labour costs

Introduction of a new enterprise bargaining agreement in May 2002 enabled park management to achieve greater flexibility in labour rostering which has assisted in reducing overall labour costs;

- Improved purchasing

Competitive tendering of all consumable purchases at the park enabled Omni to maximise the benefits of volume discounts and trade terms; and

- Focused advertising and promotional effort

Significant work has been undertaken to ensure that advertising and marketing expenditure is focused upon those areas that provide greatest return on investment. In particular, this has seen a significant increase in bookings of special events and functions at the park in the year to 30 June 2003.

### Excess Land

On 1 May 2003, the Queensland Local Government Minister endorsed the Gold Coast City Council Town Plan. Following this, Council formally adopted the new Coomera Town Centre Local Area Plan in June 2003.

This will effectively enable the Trust's excess land to be rezoned from Tourism uses to Town Centre uses on an "as of right" basis.

To reflect this change in future use rights, the value of the land has been recognised in the 30 June 2003 accounts at \$20.5 million in accordance with independent valuations prepared by CB Richard Ellis and DTZ Australia.

This value compares with an original purchase price of \$9 million and a book value as at 30 June 2002 of \$12 million.



## 04. Property Portfolio

### d'Albora Marinas

Location:	Rushcutters Bay, The Spit, Akuna Bay, Nelson Bay NSW
Date of Purchase:	17 January 2000
Title:	Leasehold
Number of Berths:	689 berths and 165 rack and stack bays
Purchase Price:	\$36.3m
Valuation:	\$42.05m (as at 1 July 2003)
Tenant:	Macquarie Leisure Operations Limited (from 1 July 2003)

### Portfolio Profile

The four d'Albora Marinas are located in some of Australia's most popular recreational waterways including Sydney Harbour, Pittwater and Port Stephens.

Each of these locations has enjoyed increasing use by recreational boat owners. As a result of greater regulation and increased planning restrictions, limited new marina developments have been undertaken in these locations over the past decade. These conditions are unlikely to change in the medium term.

Accordingly, d'Albora Marinas is well positioned to achieve steady increases in average rates over the longer term.

### Operating Performance

Over the 12 month period to 30 June 2003, total revenue for the marinas increased by 5.1% to \$12.46 million.

EBRITDA over the same period increased by 10.6% to \$5.98 million.

Revenue Source	This Year (\$'000)	2001/02 (\$'000)	Variance (%)
Water berths	5,821	5,699	+2.1
Land	3,518	3,411	+3.1
Fuel and other	3,116	2,740	+13.7
<b>Total</b>	<b>12,455</b>	<b>11,850</b>	<b>+5.1</b>

Greatest revenue growth was achieved in fuel sales as a result of a new supply agreement with the Nelson Bay fishing co-operative.

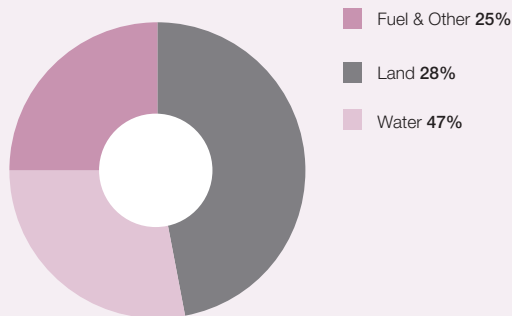


Nelson Bay, d'Albora Marinas





A chart of the sources of revenue for the d'Albora Marinas is set out below:



Moderate increases in water and land rentals reflect a focus on yield management of water berthing revenues during the summer season and escalation clauses in retail leases.

During the year, a significant number of lease renewals were negotiated with key tenants. As a result, 20.4% of lease base rentals are now due to expire within 12 months compared with 35.3% in the prior year.

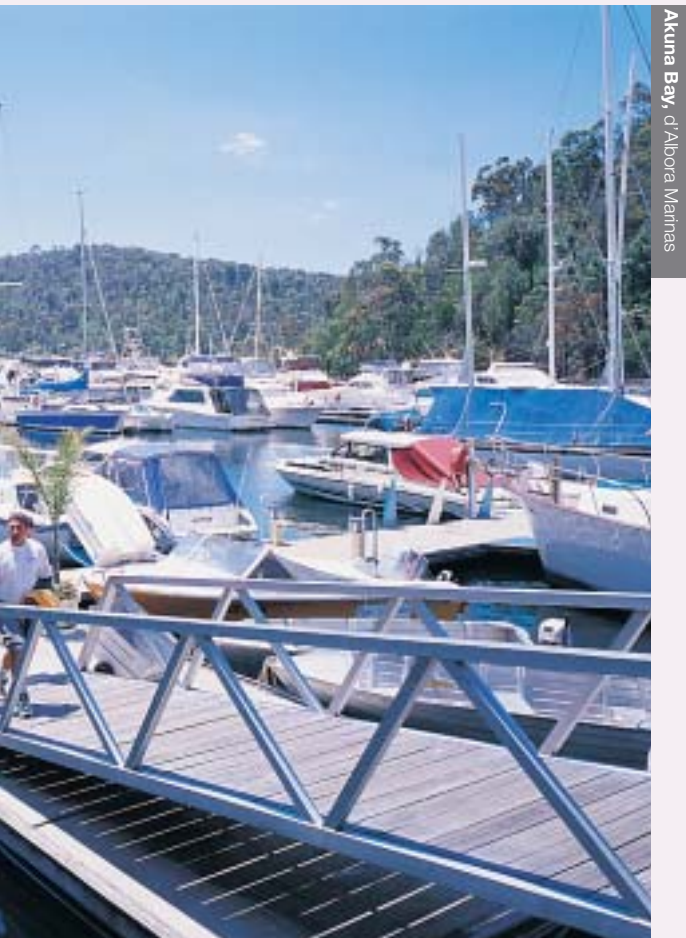
The Tenant also achieved improved operating efficiencies over the year with EBRITDA representing 54.4% of revenue against 51.4% in the prior year. These improvements reflected a streamlined labour structure through more effective use of casual labour and ongoing emphasis on the reduction of fixed cost structures.

	<i><b>This Year</b></i> <i><b>(\$million)</b></i>	<i><b>2001/02</b></i> <i><b>(\$million)</b></i>
Total Revenue	12.5	11.8
EBRITDA	6.8	6.1
Rent to Trust	6.0	5.4

### Omni Leisure Operations Limited

Omni recorded an operating profit after tax of \$1.8 million for the year to 30 June 2003 compared to an operating loss after tax of \$1.5 million in the prior year. The result reflects the decision to focus on core operating assets, the success of operational restructuring by executive management and improved profitability at both Dreamworld and d'Albora Marinas. The Trust received \$720,000 in dividends through its 40% interest in Omni.

The Trust effectively sold its interest in Omni on 1 July 2003 and Macquarie Leisure Operations Limited assumed the role of operator of Trust assets on that date as part of the corporate restructure of the Trust.



Akuna Bay, d'Albora Marinas

## 05. Board of Directors

Following the successful restructure of the Trust on 1 July 2003 into a stapled security, there will be two boards of directors. Below is a summary table detailing the directors of both entities:

### Macquarie Leisure Management Limited

Neil Balnaves – Chairman  
George Bennett – Independent Director  
Anne Keating – Independent Director  
William Moss – Executive Director  
Anthony Fehon – Executive Director  
Stephen Girdis – Executive Director  
James Hodgkinson – Alternate Director to William Moss

### Macquarie Leisure Operations Limited

Neil Balnaves – Chairman  
Anne Keating – Independent Director  
Bruce Scott – Independent Director  
Anthony Fehon – Executive Director  
Stephen Girdis – Alternate Director to Anthony Fehon.

For the purposes of this report, we have included details of the directors for Macquarie Leisure Management Limited only.

#### Neil Balnaves – Chairman



Neil is Executive Chairman of Southern Star Group Limited and Macquarie Leisure Operations Limited. He has worked in the entertainment and media industries for over 30 years and is widely regarded as one of Australia's leading entertainment executives. Neil steered Southern Star from its beginnings as an animation studio more than 30 years ago to a multi-faceted entertainment operation. Neil was also chairman of Australia's Wonderland until its sale in 1997.

#### George Bennett – Independent Director



George was the Executive Chairman of KPMG Peat Marwick in Australia and a member of the KPMG International Executive Committee until 1993. He is a director of Australian Pipeline Limited, Bank of Tokyo-Mitsubishi (Australia) Limited, Brazil Limited, Macquarie Office Management Limited, Fantastic Furniture Holdings Limited, Tempo Services Limited and a number of private companies.

#### Anne Keating – Independent Director

Anne has over 20 years experience in the international airline industry and most recently served as general manager of United Airlines in Australia. Anne is also a director of STW Communications Limited, Victor Chang Cardiac Research Limited, Macquarie Leisure Operations Limited and Insurance Australia Group Limited.



#### William Moss – Executive Director

William is Group Head and Chief Executive of Macquarie Banking Group's Banking and Property Group. He is Chairman of Medallist Developments and a director of Macquarie Office Management Limited, Macquarie ProLogis Management Limited and Macquarie Goodman Management Limited.



#### Anthony Fehon – Executive Director

Tony is an Executive Director and Head of Macquarie Bank Group's Golf and Leisure division. In the Golf and Leisure division, Tony is President and CEO of Medallist Developments and oversees Macquarie Bank's management of Macquarie Leisure Trust and the Leisure Investment Banking group. Tony is also a director of Macquarie Leisure Operations Limited.



#### Stephen Girdis – Executive Director

Stephen is an Executive Director and is Head of Macquarie Property. Stephen is a director or alternate director on all of Macquarie Bank's listed and unlisted real estate funds management businesses. He is also a director of Macquarie Capital Partners LLC, Macquarie's global real estate investment banking joint venture.



#### James Hodgkinson – Alternate Director to William Moss

James is an Executive Director of Macquarie Bank Limited and Joint Head of the Property Investment Management division. James is Chief Executive Officer and an alternate Director of Macquarie ProLogis Management Limited, Macquarie CountryWide Management Limited, Macquarie Goodman Funds Management Limited, Macquarie Goodman Management Limited and Ascendas-MGM Funds Management Limited.



## 06. Trust Management

The Manager of the Trust, Macquarie Leisure Management Limited, is a 100% owned subsidiary of Macquarie Bank Limited which, together with its group companies forms the Macquarie Bank Group.

Macquarie Bank Group is a leading Australian financial institution that has been trading as a licensed bank since March 1985. Macquarie Bank Group was formed from its predecessor, Hill Samuel Australia Limited, which has been operating in Australia since 1969. Macquarie Bank Group has now grown to employ over 4,800 staff and is a market leader in a range of businesses including investment management, property investment banking, foreign exchange, bullion and futures trading, corporate finance and stockbroking. In addition to this trust, Macquarie Bank Group manages or administers approximately \$52.3 billion in superannuation, institutional and person investments across a broad range of assets including infrastructure, Australian and international equities, property equities, money market, mortgages and fixed interest securities. Macquarie Bank was listed on the Australian Stock Exchange in July 1996.

Macquarie Golf and Leisure is a division within the Banking and Property Group of Macquarie Bank. It represents a collection of resources dedicated to Macquarie's growing interests in the increasingly prominent worldwide leisure and tourism industry.

Macquarie Golf and Leisure offers a unique and integrated range of innovative solutions to the emerging lifestyle trends of the 21st century. From the development of Medallist residential communities to finance, advisory, funds management and realty services, our access to opportunities and blend of experience enable Macquarie Golf and Leisure to be a driving force in the worldwide leisure industry.

The experience of the Manager and the resources available to it as a member of the Macquarie Bank Group allows the Manager to make a positive contribution to the management of the Trust, providing expert advice and assistance in areas such as:

- The Trust's overall strategy;
- Property acquisitions and divestments;
- Debt raising and interest rate management; and
- Unitholder communication.

Macquarie Property Investment Management provides administration services to Macquarie Leisure Trust and:

- Manages, with its associates, more than \$8 billion in 18 separate listed and unlisted vehicles (including Macquarie Leisure Trust);
- Has a team of over 50 executives specialising in all areas of property funds management; and
- Can access the expertise of other areas of the Banking and Property Group and other resources of Macquarie Bank Group.

Further details of other property trusts managed by Macquarie Property Investment Management are shown in Section 14 of this Annual Report.

## 06. Trust Management

### Management Team



**Greg Shaw**

*Chief Executive Officer*

Greg is Chief Executive Officer of the Macquarie Leisure Trust Group and has management responsibility for both Macquarie Leisure Management Limited and Macquarie Leisure Operations Limited. Greg is a chartered accountant and has over 16 years experience in leisure related industries, previously holding the position as Managing Director of Port Douglas Reef Resorts Limited. The success of operational restructuring and project improvements achieved in this role was recognised by the inaugural Chartered Accountant in Business award for Australia in 1999.



**Simon Ashley**

*Chief Financial Officer*

Simon is the Chief Financial Officer for both Macquarie Leisure Management Limited and Macquarie Leisure Operations Limited. Simon is a chartered accountant with more than 15 years combined professional and commercial experience with PricewaterhouseCoopers and the Mayne Group before joining Macquarie. At Mayne, Simon held senior finance roles with specific experience in financial and taxation planning, mergers and acquisitions and in business operations.



**John Wright**

*Company Secretary*

John has been responsible for the administration of the Trust for the past five years. John has over 25 years experience in chartered accounting, merchant banking and funds management. He has filled the roles of Financial Director and Company Secretary for two merchant banks and has successfully developed retail funds management projects.

**Douglas Hunt**

*Compliance Manager*

Douglas is responsible for the Trust's compliance with applicable laws and other requirements. A solicitor and chartered accountant, Douglas has been with the Macquarie Group for over six years, the last three years as Legal and Compliance Manager within the Property Investment Management division.

**Penni McCluskey**

*Marketing Manager*

Penni has been associated with the Trust since its inception and is responsible for Unitholder communications and marketing activities.



**Francina Kok**

Francina Kok, who has been with the Trust since its inception, has ceased her involvement in the operations of the Trust. Francina has moved on to head up the Leisure Investment Banking division within Macquarie Golf and Leisure. Francina has been an integral part of the Trust and, on behalf of the directors and the management team, we would like to thank Francina for all her efforts over the past five years and wish her luck in the future.



## 07. Corporate Governance Statement

Recently, there have been changes in the regulatory environment affecting the Trust with the release of the Macquarie Group Funds Management Activity Policy (Macquarie Policy) and the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles).

A brief summary of these is set out below:

### Macquarie Policy

The Manager is a member of the Macquarie Bank Limited. In November 2002, Macquarie Bank Limited released revised corporate governance principles to be applied to its specialist funds management activities including those of the Manager.

The key corporate governance impact of the Macquarie Policy on the Trust is the requirement to move to a majority of directors who meet a strict definition of independence.

A summary of the Macquarie Policy is available on our website ([www.macquarie.com.au/leisuretrust](http://www.macquarie.com.au/leisuretrust))

### ASX Principles

On 31 March 2003, the ASX Corporate Governance Council released the ASX Principles which are divided into 28 separate Best Practice Recommendations which cover various corporate governance issues in more detail.

Details of the ASX Principles can be viewed at [www.asx.com.au/corporategovernance](http://www.asx.com.au/corporategovernance).

The ASX Principles are not prescriptive; however, listed entities (including the Trust) will be required in their 2004 Annual Report to disclose the extent of their compliance with the ASX Principles and to explain the reasons why they have not adopted, a particular ASX Recommendation.

*Other than where specifically stated to the contrary below, the Manager's corporate governance structure will comply with the ASX Principles.*

The corporate governance structure within which the Trust is managed is summarised below:

### The Trust

#### The Nature of the Trust

The Trust is a registered managed investment scheme under the Corporations Act 2001 (Corporations Act) and as a result, there are special provisions governing the Trust and those who administer it which are designed to give investors enhanced protection.

In summary, Unitholders beneficially own the assets of the Trust subject to the Trust's liabilities. Unitholders have no rights to particular assets. These assets are managed by the Manager (the Responsible Entity for the Trust) which is responsible, inter alia, for making decisions whether and when to buy or sell investment assets as well as the day-to-day management of the Trust. Legal title in the assets is vested in a Custodian which acts in accordance with instructions from the Manager, subject to a written Custody Agreement.

#### Role of the Manager

Under the Managed Investment Act regime and the general law of trusts, the duties of the Manager are to:

- Act honestly;
- Act in accordance with a duty of care and diligence;
- Act in the best interests of the scheme members and, if there is a conflict between the members' interest and its own interests, give priority to the members' interests;
- Treat the members who hold interests of the same class equally and members who hold interests of different classes fairly;
- Not make use of information acquired through being the Responsible Entity in order to:
  - gain an improper advantage for itself or another person; or
  - cause detriment to members;



Dingos, Dreamworld

## 07. Corporate Governance Statement



Kangaroo with young guest, Dreamworld

- Comply with the law and with the documents constituting the Trust;
- Appropriately value scheme property;
- Report breaches of the law or the Compliance Plan to the Australian Securities and Investments Commission (ASIC); and
- Ensure that the scheme property is:
  - clearly identified as scheme property; and
  - held separately from property of the Responsible Entity and property of any other scheme.

In order to carry on its activities as Responsible Entity, the Manager holds a Securities Dealers Licence issued by ASIC. In order to retain its Dealers Licence, the Manager must comply with a number of specific requirements including:

- Maintaining a required minimum level of solvency; and
- Properly training and supervising its employees and agents.

Prior to March 2004, the Manager intends to convert its Dealers Licence to a Financial Services Licence under recent amendments to the Corporations Act.

### Governing Documents

Under the Corporations Act, the Trust must have a written Constitution and must also prepare and lodge with ASIC a detailed Compliance Plan.

The Constitution governs, among other things, how the Trust will operate, what the rights of the Unitholders will be, and how the remuneration of the Manager is to be calculated.

The Compliance Plan sets out the mechanisms in place to ensure compliance with the Constitution and the Corporations Act.

### Compliance

As a result of the current composition of the Board the Manager is not required under the Corporations Act to establish a separate Compliance Committee. The Board has chosen to retain responsibility for all compliance issues and therefore a separate Compliance Committee has not been established.

The Manager has appointed a Compliance Manager whose responsibility is to report to the Board on compliance issues including the preparation of quarterly reports to the Board. The Compliance Manager attends quarterly Board meetings to brief directors and answer questions in relation to compliance issues.

### Related Party Transactions

The Macquarie Bank Group employs over 4,800 staff and as part of its existing business is able to offer various resources in areas that the Trust will be seeking professional support.

These resources will be provided on an "arms length" basis at normal commercial rates.

Examples of areas in which the Macquarie Bank Group may provide such resources are equity underwriting, property due diligence, property management, property agency including facility management and leasing, project management, accounting, print design, corporate advisory and development advisory.

In the course of normal activity, the Macquarie Bank Group may have a financial interest in properties acquired by the Trust as principal, financier or adviser. The Macquarie Bank Group also may provide interest rate management and cash management products to the Trust.

All amounts payable to related parties of the Manager are subject to the approval of the independent directors.

### Conflict Resolutions

In order to resolve any conflicts which may arise out of related party transactions, the following procedures have been put in place.

No transactions will be entered into by the Manager with a member of the Macquarie Bank Group or where the Macquarie Bank Group has an interest (other than its role as Manager) unless that transaction has been approved by a majority of the independent directors. The Macquarie Bank Group directors do not vote on these resolutions. In this context, “transactions” is given a very wide meaning and includes all approvals, consents, waivers and agreements required.

Any decision to make a claim against any member of the Macquarie Bank Group is to be determined by the independent directors only. In addition to these mechanisms:

- The directors of the Manager are under a fiduciary duty to the Trust to act in the Trust's best interests in relation to decisions affecting the Trust when they are voting as a member of the Board; and
- ASX Listing Rules require Unitholder approval in relation to asset purchases by the Trust from interests associated with the Manager which represent more than 5% of Unitholders' equity at the last balance date.

The directors and executive staff of the Manager are expected to act with integrity and honesty at all times. The executive directors and the executive staff of the Manager who are employees of the Macquarie Bank Group have adopted the code of ethics prescribed by the Macquarie Bank Group.

## Board Structure

### Relationship with the Macquarie Bank Group

The Corporate Governance Structure adopted by the Manager reflects the essential difference between its role as the external manager of a listed property trust and the traditional listed company carrying on a trading business which is internally managed.

The Manager makes extensive use of the resources available within the Macquarie Bank Group in managing the Trust. The Macquarie Bank Group has expertise in developing and managing specialist investment funds in areas such as property and infrastructure.

The resources provided to assist the Manager to fulfil its role include the services of senior executives such as the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary. Macquarie will also appoint appropriately skilled executive and independent directors and will monitor their performance regularly to ensure that the Trust continues to be managed to maximise risk-adjusted total returns to Unitholders within the Trust's stated strategy and mandate.

Most of the Recommendations contained in the ASX Principles are relevant to such a structure and have been adopted, however, several are not relevant or the Manager has decided not to implement them.

### Board Structure

#### 1. Composition

Profiles of the directors, including details of their skills, experience and expertise, are contained in Section 5 of this Annual Report.

#### 2. Appointment to the Board

The Manager is a member of the Macquarie Bank Group.

The following guidelines have been developed for application within the Macquarie Bank Group regarding Board membership:

- New appointments to the Board must be nominated by Macquarie Bank Limited and require approval of the full Board;
- Independent directors are to comprise a majority of the Board;
- The Board is to be comprised of directors with an appropriate range of qualifications and expertise;

## 07. Corporate Governance Statement

- Directors can be removed by the Manager's ultimate shareholder, Macquarie Bank Limited, in its absolute discretion and at any time;
- The Chairman must be nominated by Macquarie Bank Limited and requires the approval of the full Board of the Manager;
- A lead independent director is to be appointed if the Chairman is a Macquarie Bank Group executive.

Currently, there is no limit on directors' tenures, however, 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 will retire after a maximum of 12 years service from 2003.

### 3. Independent Directors

In determining the status of a director, the Board has adopted the standards of independence required by the Macquarie Policy definition.

The Board Charter provides that in future all independent directors will meet at least once per year in the absence of management and at other times as they determine.

### 4. Appointment Criteria

The following guidelines have been adopted by Macquarie Bank Limited and the Board to apply to director nominations:

Candidates for director must possess:

- Integrity;
- Particular expertise (sector and functional) and complement the skill set of the existing Board;
- Reputation and standing in the market;
- In the case of prospective independent directors, independence from the Macquarie Bank Group (as prescribed by the Macquarie Policy).

As all nominations are made by Macquarie Bank Limited, a Nominations Committee as recommended in the ASX Principles will not be established as Macquarie Bank Limited will be able to effectively manage the selection and appointment of new directors using its own resources.

To ensure that new independent directors fully understand their responsibilities and the resources which the Manager will provide to assist them in performing their role, a letter of appointment is issued which sets out relevant issues.

### 5. Chairman

The Trust has a sector-specific strategy with a core objective of producing superior risk adjusted returns relative to comparable investments. To meet this objective, a range of property, property management, financial, organisational and governance skills are required. Given the reliance on the resources and expertise from within the Macquarie Bank Group for the success of the Trust, Macquarie Bank Limited believes that it is typically in the Unitholders' best interests to have a senior Macquarie executive as Chairman unless the Trust requires special expertise and experience which can be better provided by an Independent Chairman from outside the Group.

In the case of the Trust, Neil Balnaves has been appointed as the Independent Chairman of the Manager.

The Chairman does not exercise the role of Chief Executive Officer. That role is performed by Greg Shaw.

### 6. Independent Professional Advice

The independent directors of the Manager are entitled to obtain their own professional advice at the cost of the Trust subject to the estimated costs being first approved by the Chairman as reasonable.

### 7. Board Charter and Delegations

Responsibility for corporate governance and oversight of the Manager rests with the Board. The Board will be adopting a formal Board Charter of directors' functions. In addition, various decisions have been formally delegated to management.

#### Board Charter

The Charter will reflect the specific statutory and other responsibilities of the board with respect to its oversight of the management of the Trust.

The topics (as prescribed by the Macquarie Policy) proposed to be covered in the Charter are as follows:

- Role and responsibilities;
- Composition of the Board;
- Independent director – definition;
- Meetings;
- Committees;
- Relationship with management;





Wipeout, Dreamworld

- Induction and training of directors; and
- Access to information and advice by directors.

#### *Delegations of Authority*

The delegations of decisions from the Board to management will allow certain types of decisions to be made without the need for prior Board approval.

What you can find on our website:

- a summary of the Board Charter and of key aspects of the delegations of authority to management.

#### **8. Board Code of Conduct**

The Board will adopt a Code of Conduct which it is proposed will incorporate the Macquarie Bank Group statement entitled “what we stand for” as well as additional principles and standards relevant to funds management activities such as those of the Manager.

The aim of the Code will be to set out practices necessary to maintain confidence in the Manager’s integrity, and the responsibility and accountability of individuals for reporting and investigating unethical behaviour. The Code also encompasses principles for compliance with legal and other obligations to stakeholders, including Unitholders, employees, customers, and the broader financial and other communities in which the Trust operates.

The Code will be periodically reviewed and endorsed by the Board.

What you can find on our website:

- A summary of the Code of Conduct once adopted.

#### **9. Performance Evaluation**

An induction program has been implemented to assist new independent directors. Existing directors are encouraged to pursue continuing education to update and enhance their skills and knowledge.

The Macquarie Bank Group executives on the Board, the CEO and other Macquarie Bank Group employees performing services for the Trust are subject to performance evaluation as part of the Macquarie Bank Group’s employee performance evaluation process. The individual’s contribution to the performance of the Trust is a significant factor in determining their promotion and remuneration.

Macquarie Bank Limited as the ultimate shareholder of the Manager, has the power to appoint and remove any of the directors at any time. Given Macquarie Bank Group’s stated objective to become the leading specialist fund manager, there are strong incentives for Macquarie Bank Limited to appoint appropriately qualified and experienced directors and to continuously monitor their effectiveness and that of the Board and its committees.

What you can find on our website:

- A summary of the above performance evaluation policies of the Manager.

## 07. Corporate Governance Statement

### Approval of Financial Statements

#### 1. Sign-Off Letters

The Manager requires representation letters from the CEO and the CFO in relation to the financial statements of the Trust. The letters (which were provided for the 30 June 2003 financial statements) are required to state:

- (i) The financial reports of the Trust present a true and fair view, in all material respects, of the relevant entity's financial condition and operational results and are in accordance with relevant accounting standards;
- (ii) The statement given in paragraph (i) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the relevant Board;
- (iii) The Trust's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The CEO of the Manager is Greg Shaw and the CFO of the Manager is Simon Ashley.

#### 2. Audit Committee Membership

The Manager has appointed an Audit Committee (Committee).

The Committee is currently comprised as follows:

- George Bennett – Chairman – Independent Director
- Anne Keating – Independent Director
- Tony Fehon – Executive Director

The Committee complies with the ASX Principles as they currently stand, however, prior to 2005 committees must meet further requirements including having at least three independent directors comprising the Committee.

The Board will consider compliance with these requirements closer to the due date.

#### 3. Audit Committee Charter

The main objective of the Committee is to assist the Board in reviewing any matters of significance affecting financial reporting of the Trust including:

- Exercising oversight over the accuracy and completeness of the financial statements;
- Making informed decisions regarding accounting policies, practices and disclosures; and
- Reviewing the scope and results of external audits.

The Committee meets at least twice a year and more frequently if required.

What you can find on our website:

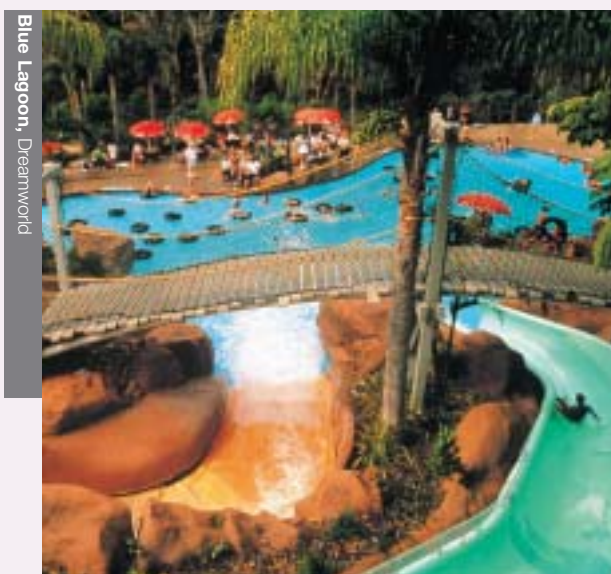
- A summary of the Audit Committee Charter.

#### 4. Risk Management

The Trust has formalised risk management policies which are monitored by the Board when appropriate.

Risks at both the Responsible Entity and Trust level are managed through the risk management frameworks and include:

- Regulatory and reporting risks;
- Financial risks (such as liquidity, interest rate, currency, investment and credit);
- Legal risk (such as contract enforceability, covenants and litigation);
- Operational risks (such as people, processes, infrastructure, technology and systems);
- Environmental risks;
- Project risks;
- Asset performance risks;
- Reputation risks (such as investor relations and media management); and
- Strategic risks.



Blue Lagoon Dreamworld

The Manager, as Responsible Entity of the Trust and a subsidiary of Macquarie Bank Limited, is subject to periodic reviews conducted by Macquarie Bank Limited's Operational Risk Review (internal audit) Division.

At the time of approving financial statements of the Trust, the Board requires representation letters from management (see Sign Off Letters, page 24) to address risk management and internal compliance and controls relevant to risk.

What you can find on our website:

- A description of the Trust's risk management policies and framework.

## Securities Trading Policy

A policy on securities trading is in place under which directors and staff involved in the management of the Trust are restricted in their ability to trade in the Trust's securities.

In short, the Trust's securities trading policy reinforces the Corporations Act prohibition on trading in securities whilst in possession of "inside information".

Trading in the Trust's securities by Macquarie Bank Group staff is only permitted during specific "trading windows" (usually following release of information to the market such as half-yearly and annual financial results).

Even when trading is permitted, all trading by staff must be approved in advance by one of the heads of the business units involved in managing the Trust or the Company Secretary. Trading by independent directors must be notified to the Company Secretary in advance.

What you can find on our website:

- A summary of the main provisions of the securities trading policy.

## Remuneration

### Disclosure of Remuneration

The Manager, is entitled to be paid fees under the terms of the Constitution for managing the Trust.

All executives involved in the management of the Trust are employees of the Macquarie Bank Group and are not remunerated by the Trust.

As a result, the Macquarie Bank Group does not consider it necessary to disclose the remuneration of its senior



Tower of Terror, Dreamworld

executives nor to appoint a Remuneration Committee as the Trust does not pay any remuneration directly to any executives of the Manager. This represents a departure from the ASX Principles.

Please refer to Note 5 of the Financial Report for details on the calculation of the Manager's Fees.

### Independent Directors' Fees

To the extent to which the remuneration of independent directors relates to activities which are specifically required by external regulators, the Trust will pay this remuneration. This will include fees paid in respect of compliance activities and in respect of service on the Audit Committee.

During the year ended 30 June 2003, each independent director was paid an amount of \$10,000 in respect of compliance activities on behalf of the Trust. An amount of \$3,000 is payable to each independent director who was a member of the Audit Committee for the year end accounts. These amounts are reviewed from time to time

## 07. Corporate Governance Statement

in consultation with external experts to ensure that remuneration reflects the services expected to be performed.

All other directors' fees paid to independent directors will be paid by the Manager out of the management fees paid by the Trust.

### Communication with Unitholders

#### Continuous Disclosure

The Board firmly believes that Unitholders and the investment market generally should be informed of all major business events that influence the Trust.

The Manager has a Continuous Disclosure Committee. The Continuous Disclosure Committee comprises the Head of Macquarie Golf and Leisure, the Chief Executive Officer of the Trust and the Company Secretary. The Committee is responsible for ensuring the Trust meets its disclosure obligations under ASX Listing Rule 3.1.

The Trust lodges with ASX, market-sensitive information including annual and half year profit announcements, financial reports and analysts' presentations as soon as available. Investors can obtain up-to-date information on the Trust's various activities from its website ([www.macquarie.com.au/leisuretrust](http://www.macquarie.com.au/leisuretrust)).

What you can find on our website:

- A summary of policies and procedures in relation to disclosure which the Macquarie Bank Group applies in respect of the Trust.

#### Communications Policy

The Manager has developed a communications policy, the cornerstone of which is the delivery of timely and relevant information as described below.

Unitholders may choose to receive an annual report and a half yearly report which are both designed to meet legal

requirements and keep Unitholders informed of the Trust's performance and operations. Newsletters are also sent to Unitholders from time to time.

The Trust's website [www.macquarie.com.au/leisuretrust](http://www.macquarie.com.au/leisuretrust) contains recent announcements, presentations, past and current reports to Unitholders and answers to frequently asked questions.

Investor roadshows are planned to be held at least annually in Australian state capitals and from time to time in other major population centres. Analyst and roadshow presentations are released to ASX and included on the Trust's website.

Unitholder meetings are convened at least once a year (usually in October/November). The Trust is not required under the Corporations Act to hold an Annual Meeting so these are usually informal annual meetings, unless there is formal business to be considered.

For formal meetings, an explanatory memorandum on the resolutions is included with the Notice of Meeting. Unless specifically stated in the Notice of Meeting, all holders of fully paid securities are eligible to vote on all resolutions. In the event that security holders cannot attend formal meetings, they are able to lodge a proxy in accordance with the Corporations Act. Proxy forms can be mailed or lodged by facsimile.

The external auditor attends Unitholder meetings and is available to answer Unitholder questions.

What you can find on our website:

- A description of the arrangements the Trust has to promote communication with Unitholders.



## Macquarie Leisure Operations Limited

Following approval of Unitholders in June 2003, Macquarie Leisure Trust Group was formed effective from 1 July 2003.

An important aspect of the new structure is the creation of a new entity, Macquarie Leisure Operations Limited (MLOL). There are now separate boards for the Manager and for MLOL and each will be required to implement their own corporate governance structures.

As MLOL is a listed public company, there will be different corporate governance requirements to those of the

Manager. For example, a minority of independent directors will retire each year and an election will be held amongst securityholders to fill these vacancies.

As a result, the Board will be considering its response to the ASX Principles and will adopt appropriate corporate governance structures progressively during the coming year.

Full details of the new structures will be published on the corporate governance page on our website and in our 2004 Annual Report.



d'Albora Marinas sponsored skiff

## 08. Investor Relations

REGULAR AND OPEN COMMUNICATION WITH OUR INVESTORS IS A PRIORITY FOR THE MACQUARIE LEISURE TRUST, AND WE HAVE ESTABLISHED SEVERAL AVENUES THROUGH WHICH INVESTORS CAN GAIN INFORMATION ABOUT THE TRUST AND PROVIDE FEEDBACK ABOUT THEIR NEEDS.

- Our local call cost number – 1300 365 585 enables you to find out about your investment for the cost of a local call.
- Our comprehensive website [www.macquarie.com.au/leisuretrust](http://www.macquarie.com.au/leisuretrust) enables you to see:
  - Information about your holding;
  - The timing and amount of distributions;
  - Copies of all media releases, newsletters, annual and interim reports;
  - Copies of presentations and seminars about the Trust;
  - Frequently asked questions and answers;
  - Unit price performance;
  - The timing and amount of distributions; and
  - Information about your holding.
- We plan to hold regular investor roadshows. Our 2003 roadshow was very well received, with more than 3,000 investors attending across Australia.
- We also meet regularly with brokers and financial advisers to get feedback about issues in the market. Many investors may feel more comfortable talking to their adviser rather than with us directly.
- In addition, the annual report provides comprehensive accounting information as well as details of the composition of the Board, and further explanations about movements and plans for the property portfolio.

### You can do so much more online

Did you know that you can access – and even update – information about your holdings in Macquarie Leisure Trust via our Unit Registry's internet site.

Visit ASX Perpetual's website [www.asxperpetual.com.au](http://www.asxperpetual.com.au) and access a wide variety of holding information, make some changes online or download forms. You can:

- Check your current and previous holding balances;
- Choose your preferred annual report option;
- Update your address details;
- Update your bank details;
- Confirm whether you have lodged your tax file number, Australian Business Number or exemption;
- Check transaction and distribution history;
- Enter your email address;
- Check the unit prices and graphs;
- Download a variety of instruction forms; and
- Subscribe to email announcements.

You can access this information via a security login using your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

### Don't miss out on your distributions

Distribution cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act. You are reminded to bank cheques immediately.

#### ***Better still, why not have us bank your distribution payments for you.***

How would you like to have immediate access to your distribution payment? Your distribution payments can be credited directly into any nominated bank, building society or credit union account in Australia.

Not only can we do your banking for you, but distributions paid by direct credit hit your account as cleared funds, thus allowing you to access them on payment date.

#### ***Distribution Reinvestment Plan (DRP)***

As an alternative to receiving cash distributions, Unitholders may elect to participate in the DRP. The DRP enables Unitholders to use cash distributions to purchase additional fully paid units. If a Unitholder wishes to participate in the DRP, they must notify the Unit Registry in writing.

### Trust Timetable

	<b><i>Half Year ending 31 Dec 2003</i></b>	<b><i>Half Year ending 30 Jun 2004</i></b>
Ex-distribution date	23 Dec 2003	24 Jun 2004
Books close	31 Dec 2003	30 Jun 2004
Approximate distribution payment date	12 Aug 2003	12 Feb 2004

### How to Contact Us

To find out more about the Macquarie Leisure Trust, talk to your adviser or contact us:

- Email [propfunds@macquarie.com.au](mailto:propfunds@macquarie.com.au);
- Call 1300 365 585;
- Fax (02) 8232 6510; and
- Website [www.macquarie.com.au/leisuretrust](http://www.macquarie.com.au/leisuretrust)

### Contact the Unit Registry if you want to:

- Change your address or name;
- Lodge your tax file number; and
- Register for the DRP.

### ASX Perpetual Registrars Limited

Street Address: Level 8, 580 George Street  
Sydney NSW 2000

Postal Address: Locked Bag A14  
Sydney South NSW 1235

Telephone: 1300 303 063 (local call cost)

International: +61 2 8280 7134

Facsimile: (02) 9287 0303

International: +61 2 9287 0303

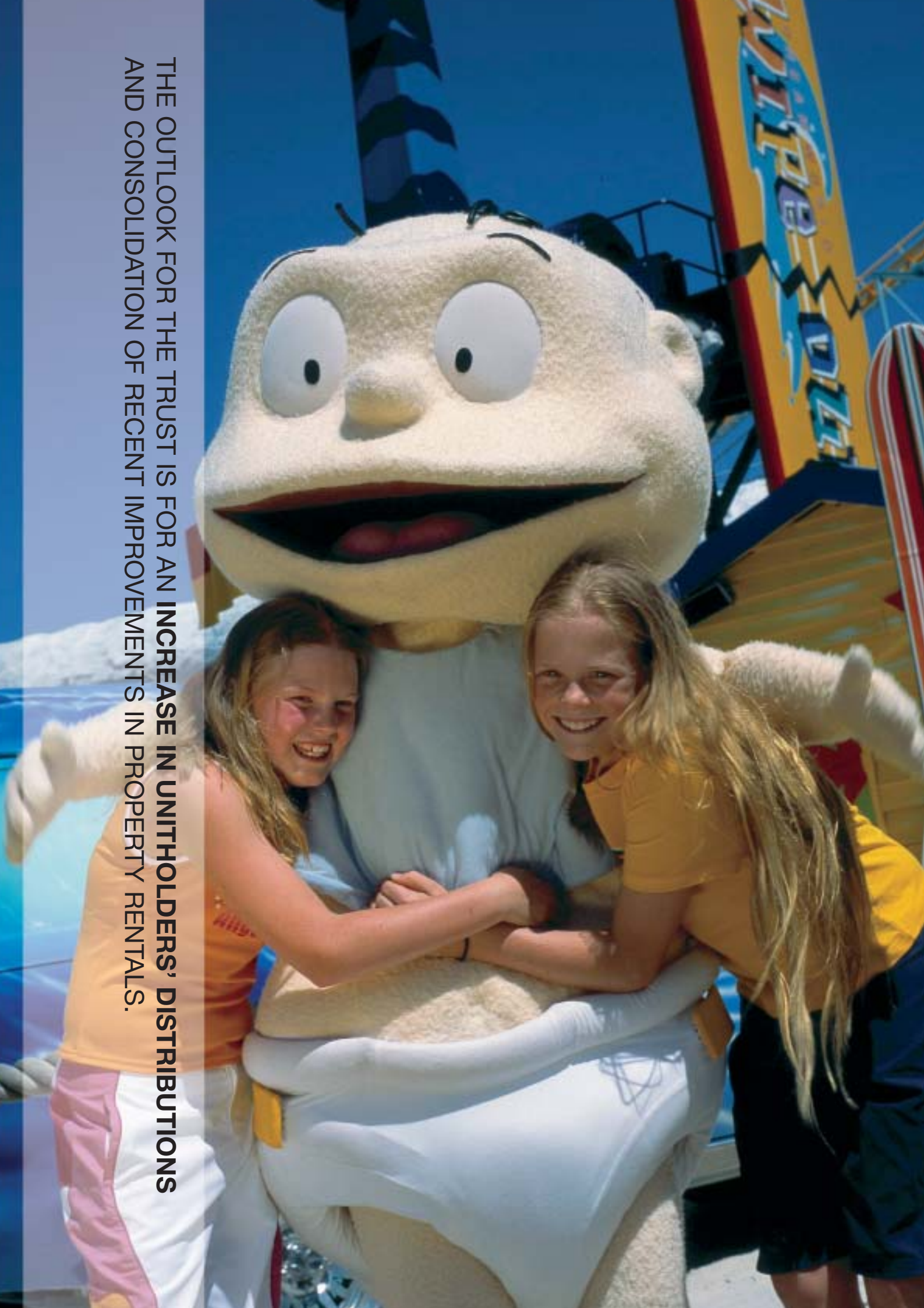
Email: [registrars@asxperpetual.com.au](mailto:registrars@asxperpetual.com.au)

Internet: [www.asxperpetual.com.au](http://www.asxperpetual.com.au)



Cyclone roller coaster, Dreamworld





THE OUTLOOK FOR THE TRUST IS FOR AN **INCREASE IN UNITHOLDERS' DISTRIBUTIONS** AND CONSOLIDATION OF RECENT IMPROVEMENTS IN PROPERTY RENTALS.

## 09. Directors' Report to Unitholders

The directors of Macquarie Leisure Management Limited (Manager), the responsible entity of Macquarie Leisure Trust (Trust), present their report together with the financial report of the Trust for the financial year ended 30 June 2003.

### 1. Directors

The following persons held office as directors of Macquarie Leisure Management Limited during the financial year and up to the date of this report:

Neil R Balnaves (Chairman)  
George H Bennett  
Anne J Keating  
Bruce R Scott (Resigned 22 July 2003)  
Simon H Ashley (Resigned 22 July 2003)  
Steven M Halpern (Resigned 7 August 2003)  
William J Moss  
Gregory D Shaw (Resigned 22 July 2003)  
James T Hodgkinson (Alternate for William J Moss)  
Anthony P Fehon (Alternate for Steven M Halpern, appointment lapsed 7 August 2003)  
Anthony P Fehon (Appointed 7 August 2003)  
Stephen M Girdis (Appointed 7 August 2003).

### 2. Principal Activities of the Trust

The principal activity of the Trust during the financial year was property investment.

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

### 3. Distributions

The distribution of income for the financial year ended 30 June 2003 was 7.5 cents per unit. An interim distribution of 3.5 cents per unit was paid on 10 February 2003. A final distribution for the financial year ended 30 June 2003 of 4.0 cents per unit will be paid on 11 August 2003.

### 4. Review of Operations

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

	2003 \$'000	2002 \$'000
Property Rental Income	20,797	18,527
Net Profit	11,536	10,022
Amount Available for Distribution	11,982	10,144

### 5. Value of Assets

Value of Trust Assets 163,270 148,709  
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 Trust

The movement in equity of the Trust during the financial year is set out below:

	2003	2002
Units Issued during the Year	3,301,782	3,274,334
Units on Issue	144,803,661	141,501,879

## 09. Directors' Report to Unitholders

### 7. Changes in the State of Affairs

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

### 8. Matters Subsequent to the End of the Financial Year

The corporate structure of the Trust changed on 1 July 2003 with the formation of the Macquarie Leisure Trust Group. Under the restructure, unitholders acquired the remaining 60% of the operational management business of the Trust assets previously owned by Macquarie Bank Limited (Macquarie Bank) and Splash Leisure Pty Ltd (Splash Leisure). Omni Leisure Operations Ltd (Omni), the asset operator for the current financial year, surrendered its operating rights in respect of the Trust's assets, and transferred the assets of its business to Macquarie Leisure Operations Limited (MLOL), a company owned by the unitholders. Unitholders were issued with shares in MLOL equal to their holding of units in the Trust and the shares in MLOL have been stapled to units in the Trust and now trade on the Australian Stock Exchange as stapled securities of the Macquarie Leisure Trust Group.

The effect of the internalisation of the operator is a net increase in the valuation of Dreamworld by \$16.0 million supported by an independent valuation. This upwards valuation is due to the elimination of operational income leakage. Note 3 to the financial statements provides additional information on the effect of the restructure on the Trust's assets.

The combined effect of the restructure and improved business performance is not reflected in the financial statements but, where applicable, has been disclosed in the notes to the financial statements.

Other than the restructure noted above, the directors of Macquarie Leisure Management Limited are not aware of any matter or circumstance since the end of the financial year not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in financial years subsequent to the financial year ended 30 June 2003.

### 9. Likely Developments and Expected Results of Operations

At the time of making this report, other than the matters listed above it is anticipated that there will be no material change in the results of the Trust from the current financial year.

### 10. Insurance and Indemnification of Officers and Auditor

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of Macquarie Leisure Management Limited or the auditor of the Trust. So long as the officers of Macquarie Leisure Management Limited 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 Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

## 11. Fees Paid to and Interests Held in the Trust by the Manager or its Associates

Fees of \$811,000 were paid or are payable to the Manager for services provided during the financial year, in accordance with the Trust Constitution as disclosed in Note 5 to the financial statements.

The interests in the Trust held by the Manager or its associates as at 30 June 2003 and fees paid to its associates are disclosed in Note 24 to the financial statements.

## 12. Environmental Regulations

The operations of the Trust 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.

Approvals for developments are required under various State environmental laws. Omni leased the Dreamworld theme park and d'Albora Marinas from the Trust until 1 July 2003 when new leases were entered into with MLOL. As part of its management reporting to the Trust, the operator of the Trust's assets is required to disclose any significant breaches of environmental regulations.

Dreamworld occupational health and safety regulations are monitored by the operator of the Trust's assets. Fuel storage requirements of d'Albora Marinas are monitored by the operator of the Trust's assets.

The Board has initiated a reporting framework which regularly assesses compliance with environmental requirements at the Trust's properties, and management's responses to any issues raised.

## 13. Rounding of Amounts to the Nearest Thousand Dollars

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 issued by the Australian Securities and 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 Board of Directors.



Neil R Balnaves  
Chairman

Sydney, 11 August 2003



## 10. Financial Report

### Statement of Financial Performance

For the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
<b>Income</b>			
Property Income			
Property Rental Income - Omni Leisure Operations Limited		20,797	18,527
Property Expenses	4	(4,873)	(4,212)
<b>Net Property Income</b>		<b>15,924</b>	<b>14,315</b>
<b>Other Income</b>			
Dividend Income		720	-
Interest Income		55	33
<b>Total Income</b>		<b>16,699</b>	<b>14,348</b>
<b>Expenditure</b>			
Trust Manager's Fee	5	811	740
Borrowing Costs	6	3,332	3,045
Loss on Sale of Assets		375	7
Other Expenses	7	645	534
<b>Total Expenditure</b>		<b>5,163</b>	<b>4,326</b>
<b>Net Profit</b>		<b>11,536</b>	<b>10,022</b>
Investment Revaluations Credited Directly to Reserves	20	8,500	-
<b>Total Valuation Adjustment Attributable to Unitholders Recognised Directly in Equity</b>		<b>8,500</b>	<b>-</b>
<b>Increase in Equity (excluding Transactions with Unitholders)</b>		<b>20,036</b>	<b>10,022</b>
<b>Distribution Paid and Payable</b>	9	<b>10,808</b>	<b>9,857</b>
	Note	2003 ¢	2002 ¢
<b>Distribution Paid and Payable per Unit</b>	9	<b>7.50</b>	<b>7.00</b>
Basic Earnings per Unit	26	8.01	7.12
Diluted Earnings per Unit	26	8.01	7.12

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

## Statement of Financial Position

As at 30 June 2003

	Note	2003 \$'000	2002 \$'000
<b>Current Assets</b>			
Cash	21	1,029	107
Receivables	10	2,425	3,627
Other	11	325	397
<b>Total Current Assets</b>		<b>3,779</b>	<b>4,131</b>
<b>Non-Current Assets</b>			
Investments	12	142,256	129,049
Plant and Equipment	14	16,245	14,440
Intangibles	15	990	1,089
<b>Total Non-Current Assets</b>		<b>159,491</b>	<b>144,578</b>
<b>Total Assets</b>		<b>163,270</b>	<b>148,709</b>
<b>Current Liabilities</b>			
Payables	16	2,349	1,967
Provisions	17	5,792	5,236
<b>Total Current Liabilities</b>		<b>8,141</b>	<b>7,203</b>
<b>Non-Current Liabilities</b>			
Interest Bearing Liabilities	18	44,435	42,255
<b>Total Non-Current Liabilities</b>		<b>44,435</b>	<b>42,255</b>
<b>Total Liabilities</b>		<b>52,576</b>	<b>49,458</b>
<b>Net Assets</b>		<b>110,694</b>	<b>99,251</b>
<b>Equity</b>			
Contributed Equity	19	129,112	126,897
Reserves	20	(19,592)	(27,933)
Undistributed Income	8	1,174	287
<b>Total Equity</b>		<b>110,694</b>	<b>99,251</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes. A restated Statement of Financial Position which includes the restructure transactions affecting the Trust which occurred after balance date is included in Note 3.

## 10. Financial Report

### Statement of Cash Flows

For the year ended 30 June 2003

	Note	2003 \$'000 Inflows/ (Outflows)	2002 \$'000 Inflows/ (Outflows)
<b>Cash Flows from Operating Activities</b>			
Property Rental Income Received		23,269	17,321
Property Expenses Paid		(2,030)	(1,857)
Other Operating Expenses Paid		(2,340)	(2,137)
Interest Received		53	35
Net GST Received from ATO		142	633
<b>Net Cash Flows from Operating Activities</b>	22(a)	<b>19,094</b>	<b>13,995</b>
<b>Cash Flows from Investing Activities</b>			
Dividend Income Received		400	300
Payments for Property, Plant and Equipment		(9,639)	(9,161)
Proceeds from Sale of Plant and Equipment		22	14
<b>Net Cash Flows from Investing Activities</b>		<b>(9,217)</b>	<b>(8,847)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Borrowings*		585,860	293,000
Repayments of Borrowings*		(583,681)	(288,016)
Issue Costs Paid		4	(3)
Borrowing Costs Paid		(3,101)	(3,411)
Distributions Paid to Unitholders		(8,037)	(7,879)
<b>Net Cash Flows from Financing Activities</b>		<b>(8,955)</b>	<b>(6,309)</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>922</b>	<b>(1,161)</b>
Cash at the Beginning of the Year		107	1,268
<b>Cash at the End of the Year</b>	21	<b>1,029</b>	<b>107</b>

\* Movements in borrowings from the prior financial year related to commercial bill rolls in the financial year. Total borrowings increased by \$2.2 million (2002: \$5.0 million) over the financial year.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

For the year ended 30 June 2003

### 1. Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are stated to assist in a general understanding of the financial report:

#### (a) Basis of Preparation

The financial statements have been prepared on the basis of historical costs, except for certain assets which, as noted, are at fair value.

This general purpose financial report has been prepared in accordance with the requirements of the Trust Constitution (Constitution), and in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The accounting policies adopted in preparing the financial report have been consistently applied by the Trust except as otherwise indicated.

#### (b) Property Investments

Property investments comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of leasing to produce rental income.

#### (c) Valuation of Investments

The Corporations Act 2001 requires that investments be revalued at intervals appropriate to the nature of the property. Accordingly, the Trust's property investments are valued by an independent valuer whenever there is considered to be a significant change in the market value of a property within the financial year, or at intervals not exceeding three years. These revaluations are based on market values which represent the price at which the property investments could be sold at the date of revaluation assuming reasonable exposure to the market and a reasonable settlement period.

The Trust's accounting policy is to carry property investments at fair value. Directors' valuations of property investments are performed for each financial year or whenever the Manager believes there is a significant change in market value within the financial year.

Property investments are stated at fair value. In accordance with Accounting Standard AASB 1041: Revaluation of Non-Current Assets, properties that have been independently valued in the past 12 months are carried at the lesser of the independent value or the directors' value. Where properties have not been independently valued in the past 12 months, they are carried at directors' value. Unrealised gains arising on revaluation of property investments are accounted for by crediting the asset revaluation reserve. Unrealised losses arising on revaluation of property investments are charged to the asset revaluation reserve to the extent they reverse any previous revaluation increment and any residual is charged to the Statement of Financial Performance and transferred to the capital distribution reserve. Revaluation increments and decrements arising on the revaluation of investments in associates are treated in accordance with the accounting policy noted in Note 1(d).

Property acquisition costs are capitalised into the value of the property investments at the time of purchase. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred.

The liability for capital gains tax that may arise if the properties were sold is not accounted for in this financial report. The Trust is required to distribute as a minimum, the taxable income of the Trust to unitholders and this taxable income would include any taxable capital gain arising on the sale of property investments and therefore the Trust is not liable to pay capital gains tax.

Other investments are valued at fair value.



## 10. Financial Report

### Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

#### 1. Significant Accounting Policies (cont.)

(d) **Investments in Associates**

Investments in associates have been accounted for at fair value in accordance with Accounting Standard AASB 1030: Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies. Dividends and other distributions are recognised in the Statement of Financial Performance when receivable. Adjustments to the net market value of investments in associates are recognised in the Statement of Financial Performance. Supplementary information is included in Note 13 to the extent required by Accounting Standard AASB 1016: Accounting for Investments in Associates.

(e) **Depreciation and Amortisation**

Land and buildings have the function of an investment and are regarded as a composite asset. In accordance with Accounting Standards, property investments are not subject to depreciation. Accordingly, the buildings and any component thereof (including plant and equipment) are not depreciated. Property investments are continually maintained and revalued in accordance with the policy described in Note 1(c). Items of furniture, fixtures and fittings and sundry plant and equipment not integral to the properties are carried at cost and depreciated on a straight line basis over their estimated useful lives. The estimated useful life for plant and equipment approximates to 10 years. Taxation allowances for the depreciation of buildings and plant and equipment are available to the Trust.

Significant costs in respect of intellectual property are deferred and amortised on a straight line basis over the period of their expected benefit as determined by the directors. As at 30 June 2001, the total period of expected benefit was revised from 20 years to 15 years. The expected remaining benefit is now 10 years. The estimated useful life of the intellectual property has been determined having regard to the established nature of intellectual property owned and continuing marketing support for that intellectual property carried by the Trust. There are no anomalies anticipated in the consumption of expected benefits from the intellectual property and accordingly, no justification exists for non-straight line amortisation.

(f) **Assets under Construction**

Development costs on assets under construction up to the date of completion of each asset are capitalised to the extent that the total carrying amount of the asset does not exceed fair value.

(g) **Receivables**

Receivables are carried at the amounts due to the Trust. Rent and outgoings receivable are due for settlement within 90 days of recognition.

The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the financial year in which they are identified. A provision for doubtful debts is raised where some doubt as to collection exists.

(h) **Borrowing Costs**

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 capitalised and amortised over the term of the borrowing period.

(i) **Deferred Expenditure**

Significant items of expenditure having a future benefit are amortised over the financial years to which they relate.

(j) **Payables**

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

## Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 1. Significant Accounting Policies (cont.)

(k) **Interest Bearing Liabilities**

Bank loans are carried at their principal amounts. Interest is accrued over the period it becomes due and payable and is recorded as part of payables in current liabilities.

(l) **Equity Transaction Costs**

Transaction costs arising on the issue of equity are recognised directly in equity as a reduction of the proceeds of equity instruments to which the costs relate.

(m) **Reserves**

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

(n) **Repairs and Maintenance**

Repairs and maintenance are undertaken to make good any damage or deterioration that has occurred by ordinary wear and tear, by accidental or deliberate damage or by the operation of natural causes during the passage of time.

Repairs and maintenance involves the restoration of the efficiency of function of an asset without changing its character and includes the restoration of an item to its former appearance, state or condition.

Repairs and maintenance costs and minor renewals are charged as expenses when incurred.

(o) **Income Tax**

Under current income tax legislation, the Trust is not liable for income tax provided its taxable income (including assessable realised capital gains) is fully distributed to unitholders.

(p) **Derivatives**

The Trust has entered into a forward interest rate swap agreement to hedge against the risk of increasing interest rates on part of the Trust's debt. Derivative financial instruments are not held for speculative purposes and are not recognised in the financial statements on inception. The net payments or receipts due under the agreement are accounted for on an accruals basis and are included in interest expense.

(q) **Earnings per Unit**

Basic earnings per unit is determined by dividing net profit by the weighted average number of units outstanding during the financial year.

(r) **Comparative Figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

### 2. Trust Formation and Termination

The Trust was established on 6 February 1998 and will terminate on its 80th anniversary unless it is terminated earlier in accordance with the provisions of the Constitution dated 6 February 1998.

## 10. Financial Report

### Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

#### 3. Subsequent Event – Trust Restructure

The restructure of the Trust, which occurred on 1 July 2003, comprised two stages. In the first stage, the unitholders acquired the key contracts and assets of Omni, the former lessee and operator of Dreamworld and d'Albora Marinas. Omni had been owned 40% by the Trust, 30% by Macquarie Bank and 30% by Splash Leisure.

Compensation for Macquarie Bank's and Splash Leisure's 60% interest in Omni was \$3.9 million. Macquarie Bank and Splash Leisure wished to continue their involvement with the Trust and agreed to receive their compensation in units, which have been placed in voluntary escrow for a period of 12 months.

A new operating company, called Macquarie Leisure Operations Limited (MLOL), has entered into leases for the Dreamworld and d'Albora Marina assets and has purchased the business and management rights associated with other strategic assets. The leases between MLOL and the Trust reflect current market terms and increase the Trust's rental entitlement.

The second stage of the restructure was the stapling of units in the Trust to shares in MLOL on a one for one basis, with the stapled securities trading as a single security on the Australian Stock Exchange. MLOL is 100% owned by the unitholders, with all of its net income flowing directly to unitholders.

The following Statement of Financial Position restates the Statement of Financial Position presented earlier in the financial report to incorporate the restructure transactions including the directors' revaluation of investments (\$16.0m), the sale of the investment in Omni (\$4.6m) and the issue of 5.5 million units to Macquarie Bank and Splash Leisure (\$3.9m). The directors' revaluation considers the independent valuations disclosed in Note 12 and other relevant factors.

	1 July 2003 \$'000	30 June 2003 \$'000
<b>Current Assets</b>		
Cash	1,029	1,029
Receivables	2,425	2,425
Other	325	325
<b>Total Current Assets</b>	<b>3,779</b>	<b>3,779</b>
<b>Non-Current Assets</b>		
Investments	153,631	142,256
Plant and Equipment	16,245	16,245
Intangibles	990	990
<b>Total Non-Current Assets</b>	<b>170,866</b>	<b>159,491</b>
<b>Total Assets</b>	<b>174,645</b>	<b>163,270</b>
<b>Current Liabilities</b>		
Payables	2,349	2,349
Provisions	5,792	5,792
<b>Total Current Liabilities</b>	<b>8,141</b>	<b>8,141</b>
<b>Non-Current Liabilities</b>		
Interest Bearing Liabilities	44,435	44,435
<b>Total Non-Current Liabilities</b>	<b>44,435</b>	<b>44,435</b>
<b>Total Liabilities</b>	<b>52,576</b>	<b>52,576</b>
<b>Net Assets</b>	<b>122,069</b>	<b>110,694</b>
<b>Equity</b>		
Contributed Equity	138,177	129,112
Reserves	(17,282)	(19,592)
Undistributed Income	1,174	1,174
<b>Total Equity</b>	<b>122,069</b>	<b>110,694</b>

Net tangible asset backing per unit (on revised units on issue at 1 July 2003 of 150,359,217) is \$0.81.

## Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 4. Property Expenses

	2003 \$'000	2002 \$'000
Depreciation and Amortisation	2,951	2,666
Head Lease Fees	693	544
Insurance	692	455
Land Tax	215	186
Legal Fees	37	61
Rates	281	249
Trade Waste Licence	-	18
Other	4	33
	<b>4,873</b>	<b>4,212</b>

### 5. Manager's Fee

The Manager of the Trust is Macquarie Leisure Management Limited, a wholly owned subsidiary of Macquarie Bank.

The Manager's fee is calculated and paid half yearly comprising a base fee and an incentive fee. The base fee is calculated as 0.25% per annum of the gross assets of the Trust. The incentive fee is equal to 3.5% per annum of the amount available for distribution to unitholders before the Trust Manager's base fee.

The Trust does not provide any other benefits to the Manager or directors of the Manager other than those described in Note 24.

The Manager's fee for the financial year ended 30 June 2003 as calculated by the formula above was \$811,000 (2002: \$740,000).

### 6. Borrowing Costs

Net Profit is arrived at after:

<b>Borrowing Costs Expensed</b>	<b>3,332</b>	<b>3,045</b>
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## 10. Financial Report

### Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

#### 7. Other Expenses\*

	2003 \$'000	2002 \$'000
Accounting	30	26
Audit Committee Fees – Independent Directors	6	–
Audit Fees	48	49
Compliance Costs – Independent Directors	40	30
Custodian Fees	32	30
Legal Fees	21	13
Postage	71	45
Printing	65	42
Registry	180	111
Stock Exchange	12	26
Taxation Advice Fees	30	3
Unitholders' Communications	50	55
Valuation	60	75
Other	–	29
	<b>645</b>	<b>534</b>

\* Other expenses have been paid in accordance with the Constitution.

#### 8. Undistributed Income

	Note		
Undistributed Income at the Beginning of the Year		287	–
Net Profit		11,536	10,022
Transfer from Capital Distribution Reserve	20	159	122
<b>Available for Distribution</b>		<b>11,982</b>	<b>10,144</b>
Distributions Paid and Payable	9	(10,808)	(9,857)
<b>Undistributed Income at the End of the Year</b>		<b>1,174</b>	<b>287</b>

#### 9. Distribution Payable

	Distribution Cents per Unit	Total Amount \$'000	Tax Deferred %	Taxable %
2003 Distributions for the Half Year ended:				
31 December 2002	3.5	5,016		
30 June 2003	4.0	5,792		
	<b>7.5</b>	<b>10,808</b>	<b>60.36</b>	<b>39.64</b>
2002 Distributions for the Half Year ended:				
31 December 2001	3.3	4,621		
30 June 2002	3.7	5,236		
	<b>7.0</b>	<b>9,857</b>	<b>63.41</b>	<b>36.59</b>

## Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 10. Receivables

	2003 \$'000	2002 \$'000
Rent Receivable - Omni	1,760	3,596
Dividend Receivable	320	-
Sundry Debtors	5	12
GST Receivable	340	19
	<b>2,425</b>	<b>3,627</b>

### 11. Other Current Assets

<b>Prepayments</b>	<b>325</b>	<b>397</b>
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### 12. Investments

	Acquisition Date	Cost including all Additions \$'000	Date of Latest Valuation	Valuation	Revaluation (Decrement)/ Increment \$'000	2003 Book Value \$'000	2002 Book Value \$'000
<b>Property Investments</b>							
<b>Dreamworld</b>							
Theme Park	3 Jul 98	108,737	31 Dec 02	(1),(5)	(30,644)	78,093	73,448
Excess Land	3 Jul 98	9,000	31 Dec 02	(1),(2)	11,500	20,500	12,000
d'Albora Marinas	17 Jan 00	37,726	31 Dec 02	(3)	1,312	39,038	38,976
		<b>155,463</b>			<b>(17,832)</b>	<b>137,631</b>	<b>124,424</b>
<b>Other Investments</b>							
<b>Omni Leisure Operations Limited</b>							
	3 Jul 98	960	31 Dec 02	(4)	3,665	4,625	4,625
		<b>960</b>			<b>3,665</b>	<b>4,625</b>	<b>4,625</b>
<b>Total Investments</b>		<b>156,423</b>			<b>(14,167)</b>	<b>142,256</b>	<b>129,049</b>

- (1) As at 30 June 2003, the value of land and buildings is \$78.1 million and the excess land is \$20.5 million. The total carrying value of \$114.0 million comprises \$98.6 million investment property, \$14.4 million of plant and equipment and \$1.0 million of intellectual property.

An independent valuation of Dreamworld was undertaken as at 30 June 2003. Dreamworld was valued at \$109.5 million (excluding excess land \$20.5 million) by Paul S Murphy, FAPI, HTW Valuers (Gold Coast) Pty Limited. This valuation was based on the operating leases being held by Macquarie Leisure Operations Limited (MLOL) under the restructure of the Trust as described in Note 3.

- (2) A portion of the land at Dreamworld is in the process of a "change of use" approval. Valuations have been obtained to provide an indication of the value this portion of land may have, if the change of use from "Tourism" uses to "Town Centre" uses is achieved. Independent valuers CB Richard Ellis © Pty Ltd and DTZ Australia (Gold Coast) Pty Ltd assessed this potential future value at \$20 million and \$21 million respectively. The directors advise that Council approval of the change of use has not been received at the date of signing the accounts; however, the carrying value of the land has been increased to \$20.5 million in accordance with the independent valuations.
- (3) As at 30 June 2003, the value of land and buildings is \$39.0 million. The total carrying value of \$40.9 million comprises \$39.0 million investment property and \$1.9 million of plant and equipment.

## 10. Financial Report

### Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 12. Investments (cont.)

An independent valuation of \$42.05 million for the marinas as at 30 June 2003 by LandMark White Valuers was obtained on the basis that MLOL was the operator of d'Albora Marinas under the restructure.

- (4) As at 30 June 2003, the value of Omni is \$4.6 million. Omni was sold to Macquarie Bank on 1 July 2003 as part of the restructure, as described in Note 3.
- (5) During the current year, infrastructure assets, which are not subject to depreciation, are being disclosed as part of property investments rather than property, plant and equipment. Prior year comparatives have been adjusted by \$19 million (increase property investment and decrease plant and equipment) to reflect this reclassification.

	Property Investments		Other Investments	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Carrying Amount at the Beginning of the Year	124,424	123,628	4,625	4,625
Additions	4,707	796	-	-
Disposals	-	-	-	-
Revaluation Increment	8,500	-	-	-
<b>Carrying Amount at the End of the Year</b>	<b>137,631</b>	<b>124,424</b>	<b>4,625</b>	<b>4,625</b>

#### Valuation of Investments in Associates

The basis of valuation of the investment in Omni is at fair value in accordance with the valuation policies stated in Note 1(d). The December 2002 and June 2002 valuations were carried out by the directors of the Manager.

### 13. Investments in Associates

As at 30 June 2003, the Trust held a 40% (2002: 40%) ownership interest in Omni, the lessee of the Trust's assets. Omni's principal activity was the operation of the Dreamworld theme park and d'Albora Marinas and other leisure-based enterprises.

	2003	2002
	\$'000	\$'000

### 14. Plant and Equipment

#### Plant and Equipment at Cost

Dreamworld	24,345	20,240
d'Albora Marinas	2,826	2,684
	<b>27,171</b>	<b>22,924</b>

#### Accumulated Depreciation

Dreamworld	(9,957)	(7,820)
d'Albora Marinas	(969)	(664)
	<b>(10,926)</b>	<b>(8,484)</b>
	<b>16,245</b>	<b>14,440</b>

Carrying Amount at the Beginning of the Year	14,440	8,700
Additions	5,076	8,331
Disposals*	(419)	(24)
Depreciation Expense	(2,852)	(2,567)
<b>Carrying Amount at the End of the Year</b>	<b>16,245</b>	<b>14,440</b>

\* Net of depreciation on disposals \$410,000 (2002: \$67,000).

\* As noted above, in the current year infrastructure assets, which are not subject to depreciation, are being disclosed as part of property investments rather than property, plant and equipment. Prior year comparatives have been adjusted by \$19 million (increase property investment and decrease plant and equipment) to reflect this reclassification.

## Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 15. Intangibles

	2003 \$'000	2002 \$'000
Intellectual Property at Cost	1,609	1,609
Revaluation Decrement	(181)	(181)
Accumulated Amortisation	(438)	(339)
	<b>990</b>	<b>1,089</b>
Intellectual property represents registered trademarks associated with Dreamworld operations. It is carried at directors' valuation and includes a pro-rata allocation of acquisition costs.		
Carrying Amount at the Beginning of the Year	1,089	1,188
Amortisation Expense	(99)	(99)
<b>Carrying Amount at the End of the Year</b>	<b>990</b>	<b>1,089</b>

### 16. Payables

Manager's Fee	408	392
Custodian Fees	13	15
Interest Payable	208	79
Sundry Creditors and Accruals	1,720	1,481
	<b>2,349</b>	<b>1,967</b>

### 17. Provisions

Distribution		
Opening Balance	5,236	5,114
Transfer from Statement of Financial Performance	10,808	9,857
Paid during the Year	(8,037)	(7,879)
Distributions Reinvested	(2,215)	(1,856)
<b>Closing Balance*</b>	<b>5,792</b>	<b>5,236</b>

\* The provision for distribution represents the distribution of the Trust for the six months ended 30 June 2003. This amount will be distributed on 11 August 2003 (2002: 12 August 2002).

### 18. Interest Bearing Liabilities

<b>Bank Loan - Term Debt</b>	<b>44,435</b>	<b>42,255</b>
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The term debt is secured by registered first mortgages over all of the properties owned by the Trust.



## 10. Financial Report

### Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 19. Contributed Equity

			2003 \$'000	2002 \$'000
No. of Units	Details	Income Entitlement Date		
138,227,545	Units on Issue	30 June 2001 <sup>(1)</sup>	-	125,044
1,811,062	DRP Issue	1 July 2001 <sup>(2)</sup>	-	917
1,463,272	DRP Issue	1 January 2002 <sup>(3)</sup>	-	936
141,501,879	Units on Issue	30 June 2002	126,897	126,897
1,794,117	DRP Issue	1 July 2002 <sup>(4)</sup>	1,160	-
1,507,665	DRP Issue	1 January 2003 <sup>(5)</sup>	1,055	-
<b>144,803,661</b>	<b>Units on Issue</b>	<b>30 June 2003</b>	<b>129,112</b>	<b>126,897</b>

<sup>(1)</sup> Net of equity transaction costs of \$5,953,000.

<sup>(4)</sup> Net of equity transaction costs of \$2,000.

<sup>(2)</sup> Net of equity transaction costs of \$1,000.

<sup>(5)</sup> Net of equity transaction costs of \$2,000.

<sup>(3)</sup> Net of equity transaction costs of \$1,000.

As stipulated in the Constitution, each unit represents a right to an individual unit in the Trust and does not extend to a right to the underlying assets of the scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Trust.

#### Distribution Reinvestment Plan

The Trust has established a distribution reinvestment plan (DRP) under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than being paid in cash. Units are issued under the DRP at a 2.5% discount to the market price.

### 20. Reserves

(a)	Capital Distribution Reserve		
	Opening Balance	(28,550)	(28,428)
	Transfer to Distribution (Note 8)	(159)	(122)
	Closing Balance	(28,709)	(28,550)
(b)	Asset Revaluation Reserve		
	Opening Balance	617	617
	Revaluation - Dreamworld vacant land	8,500	-
	Closing Balance	9,117	617
	<b>Total Reserves</b>	<b>(19,592)</b>	<b>(27,933)</b>

### 21. Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank. Cash as at 30 June 2003 as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at Bank	1,029	104
Cash on Deposit at Call	-	3
<b>Total Cash</b>	<b>1,029</b>	<b>107</b>

## Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 22(a). Reconciliation of Net Profit to Net Cash Flows from Operating Activities

	2003 \$'000	2002 \$'000
Net Profit	11,536	10,022
Non-Cash Items		
Depreciation and Amortisation	2,951	2,666
Loss on Sale of Assets	375	7
Classified as Investing Activities		
Dividends Received	(720)	-
Classified as Financing Activities		
Borrowing Costs	3,332	3,045
Change in Assets and Liabilities:		
Decrease/(Increase) in Assets		
Receivables	1,801	(1,085)
Prepayments	-	(156)
Decrease in Liabilities		
Payables	(181)	(504)
<b>Net Cash Flows from Operating Activities</b>	<b>19,094</b>	<b>13,995</b>

### 22(b). Non-Cash Financing and Investing Activities

Distributions by the Trust satisfied during the financial year by the issue of units under the DRP. These distributions are not reflected in the Statement of Cash Flows.	2,215	1,856
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### 23. Net Tangible Assets

Net tangible assets are calculated as follows:

Total Tangible Assets	162,280	147,620
Less Total Liabilities	(52,576)	(49,458)
<b>Net Tangible Assets</b>	<b>109,704</b>	<b>98,162</b>
Total Number of Units on Issue	144,803,661	141,501,879
Net Tangible Asset Backing per Unit	\$0.76	\$0.69

## 10. Financial Report

### Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

#### 24. Related Party Disclosures

##### Related Party Transactions

Macquarie Bank will be reimbursed \$30,000 (2002: \$26,000) for the cost of providing accounting services to the Trust for the financial year ended 30 June 2003.

The Trust has a 40% (2002: 40%) shareholding interest in Omni. Omni has a lease over the property assets of the Trust and operated the leisure businesses of Dreamworld and d'Albora Marinas during the financial year. Omni holds a preferred lessee status with the Trust in respect of future acquisitions by the Trust. All transactions with Omni are based on normal commercial terms and conditions.

Macquarie Bank, the ultimate holding company of the Manager, had a 30% shareholding interest in Omni as at 30 June 2003. As part of the restructure, Macquarie Bank purchased the remaining 70% shareholding of Omni from the Trust and Splash Leisure on 1 July 2003.

The Trust will pay Omni interest of \$60,369 for funding part of the Trust's capital expenditure during the year. The interest rate charged on this funding was the cash on deposit rate of the Commonwealth Bank of Australia for the period of the loan.

Macquarie Asset Services Limited will be paid a fee of \$9,177 (2002: \$47,850) for property consulting provided in respect of the electricity contract for the Trust's assets.

Compliance fees of \$40,000 in total and audit committee fees of \$6,000 in total were paid to independent directors. These fees are payable by the Manager and reimbursed by the Trust.

The above fees and transactions were all based on normal commercial terms and conditions.

##### Directors of the Manager

The names of the directors of the Manager during the year were as follows:

Neil R Balnaves (Chairman)  
George H Bennett  
Anne J Keating  
Bruce R Scott (Resigned 22 July 2003)  
Simon H Ashley (Resigned 22 July 2003)  
Steven M Halpern (Resigned 7 August 2003)  
William J Moss  
Gregory D Shaw (Resigned 22 July 2003)  
James T Hodgkinson (Alternate for William J Moss, resigned 22 July 2003)  
Anthony P Fehon (Alternate for Steven M Halpern, appointment lapsed 7 August 2003)  
Anthony P Fehon (Appointed 7 August 2003)  
Stephen M Girdis (Appointed 7 August 2003).

##### Units Held by the Manager and Related Bodies Corporate of the Manager

The relevant interests of each director of the Manager in equity of the Trust are set out below:

	Units Held 2003	Units Held 2002
Neil R Balnaves	196,000	196,000
George H Bennett	55,514	21,630
Anne J Keating	40,700	10,000
Bruce R Scott	-	-
Simon H Ashley	-	-
Steven M Halpern	67,000	-
William J Moss	597,159	448,807
Gregory D Shaw	27,000	-
James T Hodgkinson	-	-
Anthony P Fehon	70,000	-
Stephen M Girdis	15,376	-

## Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 24. Related Party Disclosures (cont.)

Mr Shaw is entitled to a long-term performance incentive equivalent to the improvement in value of one million units since his commencement with Omni on 11 March 2002, when the previous closing price of units was 66.6 cents per unit. The value of this incentive as at 30 June 2003 was \$150,000. This liability is payable by Macquarie Leisure Operations Limited.

#### Transactions of Directors and Director Related Entities

Aggregate number of units of the Trust acquired or disposed of by directors of the Manager or their director related entities:

	2003	2002
<b>Acquisitions</b>		
Ordinary Units	376,936	697,264
<b>Disposals</b>		
Ordinary Units	-	1,787

Related bodies corporate of the Manager held 10,303,563 units as at 30 June 2003 (2002: 9,926,150). No options in the Trust are held by the directors of the Manager.

### 25. Segment Information

The Trust is a listed trust which invests in the leisure and entertainment property market in Australia.

### 26. Earnings per Unit

Basic Earnings per Unit (cents)	8.01	7.12
Diluted Earnings per Unit (cents)	8.01	7.12
Weighted Average Number of Ordinary Units Used in the Calculation of Basic Earnings per Unit	144,043,633	140,764,230

Net profit of \$11,536,000 (2002: \$10,022,000) was used as earnings in calculating the basic and diluted earnings per unit.

### 27. Additional Financial Instrument Disclosures

#### (a) Significant Terms and Conditions

##### Cash

Surplus funds of the Trust are held as cash at bank or on deposit. Interest on cash deposits is receivable monthly in arrears. As at 30 June 2003, the interest rate on these funds was 4.25% per annum (2002: 4.25% per annum).

##### Interest Rate Swap

The Trust entered into a forward interest rate swap agreement effective from May 2001 that entitles it, at six monthly intervals, to receive interest at a floating rate on a notional principal amount and obliges it to pay interest at a fixed rate of 6.87% per annum on the same amount over a five year term. The interest rate swap agreement allows the Trust to raise long-term borrowings at a floating rate and effectively swap them into a fixed rate.



## 10. Financial Report

### Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 27. Additional Financial Instrument Disclosures (cont.)

#### (a) Significant Terms and Conditions (cont.)

The remaining term and notional principal amount of the Trust's outstanding swap agreement at the end of the financial year are:

	2003 \$'000	2003 \$'000
One Year to Less than Five Years	18,000	18,000
More than Five Years	-	-
	<b>18,000</b>	<b>18,000</b>

#### (b) Interest Rate Risk

The Trust's exposure to interest rate risk and the effective interest rate on financial instruments at the end of the financial year are:

	Floating Interest Rate \$'000	Fixed Interest Rate Maturing				Non- Interest Bearing \$'000	Total \$'000
		1 Year or Less \$'000	1 to 5 Years \$'000	Over 5 Years \$'000			
<b>30 June 2003</b>							
<b>Assets</b>							
Cash	1,029	-	-	-	-	-	1,029
Receivables	-	-	-	-	2,425	-	2,425
<b>Total Financial Assets</b>	<b>1,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,425</b>	<b>-</b>	<b>3,454</b>
Weighted Average Interest Rate (% pa)	4.25%						
<b>Liabilities</b>							
Payables	-	-	-	-	2,349	-	2,349
Distribution Payable	-	-	-	-	5,792	-	5,792
Interest Bearing Liabilities	44,435	-	-	-	-	-	44,435
Interest Rate Swap	(18,000)	-	18,000	-	-	-	-
<b>Total Financial Liabilities</b>	<b>26,435</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>8,141</b>	<b>-</b>	<b>52,576</b>
Weighted Average Interest Rate (% pa)	4.86%		6.87%				
<b>Net Financial Liabilities</b>	<b>(25,406)</b>	<b>-</b>	<b>(18,000)</b>	<b>-</b>	<b>(5,716)</b>	<b>-</b>	<b>(49,122)</b>

## Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 27. Additional Financial Instrument Disclosures (cont.)

#### (b) Interest Rate Risk (cont.)

	Floating Interest Rate \$'000	Fixed Interest Rate Maturing			Non- Interest Bearing \$'000	Total \$'000
		1 Year or Less \$'000	1 to 5 Years \$'000	Over 5 Years \$'000		
<b>30 June 2002</b>						
<b>Assets</b>						
Cash	107	-	-	-	-	107
Receivables	-	-	-	-	3,627	3,627
<b>Total Financial Assets</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,627</b>	<b>3,734</b>
Weighted Average Interest Rate (% pa)	4.31%					
<b>Liabilities</b>						
Payables	-	-	-	-	1,967	1,967
Distribution Payable	-	-	-	-	5,236	5,236
Interest Bearing Liabilities	42,255	-	-	-	-	42,255
Interest Rate Swap	(18,000)		18,000	-	-	-
<b>Total Financial Liabilities</b>	<b>24,255</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>7,203</b>	<b>49,458</b>
Weighted Average Interest Rate (% pa)	5.04%		6.87%			
<b>Net Financial Liabilities</b>	<b>(24,148)</b>	<b>-</b>	<b>(18,000)</b>	<b>-</b>	<b>(3,576)</b>	<b>(45,724)</b>

	Note	2003 \$'000	2002 \$'000
<b>Reconciliation of Net Financial Liabilities to Net Assets</b>			
Net Financial Liabilities as Above		(49,122)	(45,724)
Non-Financial Assets and Liabilities			
Other Current Assets	11	325	397
Investments	12	142,256	129,049
Plant and Equipment	14	16,245	14,440
Intangibles	15	990	1,089
<b>Net Assets per Statement of Financial Position</b>		<b>110,694</b>	<b>99,251</b>

#### (c) Credit Risk

Credit risk represents the economic loss that would be recognised if counterparties failed to perform as contracted.

#### Financial Instruments Recognised in the Statement of Financial Position

The credit risk on the financial assets of the Trust which have been recognised in the Statement of Financial Position is the carrying amount, net of any provisions for doubtful debts.

## 10. Financial Report

### Notes to the Financial Statements (cont.)

For the year ended 30 June 2003

### 27. Additional Financial Instrument Disclosures (cont.)

#### (c) Credit Risk (cont.)

##### Financial Instruments Not Recognised in the Statement Financial Position

Credit risk on the interest rate swap agreement not recognised in the Statement of Financial Position is minimised as the counterparty is a recognised financial intermediary with a high credit rating.

#### (d) Net Fair Values of Financial Assets and Liabilities

##### Financial Instruments Recognised in the Statement of Financial Position

The Trust's financial assets and liabilities are carried at amounts that approximate their net fair value.

##### Financial Instruments Not Recognised in the Statement of Financial Position

The fair value of the interest rate swap held as at 30 June 2003 is a liability of \$1,703,192 (2002: \$607,237).

The valuation of the interest rate swap reflects the estimated amounts which the Trust expects to pay or receive to terminate the agreement (net of transaction costs) or replace the agreement at the current market rate as at 30 June 2003. This is based on independent market quotations and is determined using accepted valuation techniques.

### 28. Remuneration of Auditor

	2003 \$	2002 \$
Audit of the Financial Report	48,000	48,600
Other Assurance Services*	100,000	4,750
Taxation	30,040	11,070
	<b>178,040</b>	<b>64,420</b>

\* Audit assurance services relate to investigating accountant's fees for the restructure. These fees have been capitalised to investment properties.

## Directors' Declaration to Unitholders

The directors of Macquarie Leisure Management Limited, the responsible entity, declare that the financial statements as set out on pages 31 to 52:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements: and
- (b) give a true and fair view of the Trust's financial position as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'Neil Balnaves', written in a cursive style.

Neil R Balnaves  
Chairman

Sydney, 11 August 2003



## 11. Independent Audit Report

### Independent Audit Report to the Unitholders of Macquarie Leisure Trust

#### Audit Opinion

In our opinion, the financial report of Macquarie Leisure Trust:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Macquarie Leisure Trust as at 30 June 2003, and of its performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

#### Scope

##### The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Macquarie Leisure Trust (the Trust), for the year ended 30 June 2003.

The directors of Macquarie Leisure Management Limited are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### Audit Approach

We conducted an independent audit in order to express an opinion to the Unitholders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

## Independent Audit Report to Unitholders of Macquarie Leisure Trust (Cont)

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The script is cursive and fluid, with the letters connected.

PricewaterhouseCoopers

A handwritten signature in black ink that reads "A. Loveridge". The script is cursive, with a large initial 'A' and a stylized 'L'.

AJ Loveridge  
Partner

Sydney, 11 August 2003

## 12. Unitholder Analysis

### Top 20 Unitholders as at 29 August 2003

	Number of Units Held	% of Total Issued Units
1. National Nominees Limited	11,043,264	7.27
2. Famdal Investments Pty Limited (d'Albora Superannuation Fund A/C)	9,000,000	5.93
3. Macquarie Bank Limited	8,650,190	5.70
4. Leisure Equity Partners Limited	5,555,556	3.66
5. ANZ Nominees Limited	2,054,986	1.35
6. National Nominees Limited (Equisuper Account)	1,848,866	1.22
7. Balzac Investments Pty Ltd	1,500,000	0.99
8. Uniting Church In Australia Property Trust (Q)	1,491,898	0.98
9. Groote Eylandt Aboriginal Trust Inc	1,375,000	0.91
10. Catholic Church Insurances Limited	1,159,582	0.76
11. Mr Warwick George Morris and Ms Lee Allan Hardwick	1,065,702	0.70
12. Wig Nominees Pty Ltd	932,743	0.61
13. Commonwealth Custodial Services Limited	853,839	0.56
14. Hinona Pty Limited	800,000	0.53
15. Tower Trust Limited	631,570	0.42
16. Clem Jones Pty Ltd	600,000	0.40
17. Macquarie Asset Services (Qld) Pty Ltd	600,000	0.40
18. Invia Custodian Pty Limited (WAM Capital Limited A/C)	599,995	0.40
19. Mr Benjamin John Sauer	581,250	0.38
20. Shaw & Sons (Holdings) Pty Limited	549,333	0.36
<b>Total Units Held by Top 20</b>	<b>50,893,774</b>	<b>33.53</b>
<b>Total Units on Issue</b>	<b>151,808,239</b>	<b>100.00</b>

### Range of Units Summary as at 29 August 2003

Range	Holders	Number of Units	% of Units
1 - 1,000	320	159,822	0.11
1,001 - 5,000	2,298	7,512,963	4.95
5,001 - 10,000	1,917	14,828,613	9.77
10,001 - 100,000	2,678	63,634,766	41.92
100,001 and over	94	65,672,075	43.25
<b>Total</b>	<b>7,307</b>	<b>151,808,239</b>	<b>100.00</b>

Unitholders with less than the minimum parcel of 562 units 187

### Voting Rights

Each Unitholder has one vote for each dollar value of their interest in the Trust.

### Substantial Unitholder Notices

Company	Date	No.of Voting Units	% of Units on Issue
Macquarie Bank Limited	29 August 2000	9,556,041	7.38
Warakirri Asset Management Pty Limited	9 August 2002	8,082,159	5.71
Famdal Superannuation Investments Pty Ltd	22 May 2003	9,000,000	5.93

## 13. Distribution Performance

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/Units	%	\$	\$
6 Jul 98	1.00 <sup>(1)</sup>	—	—	—	—	—	—	—	—	—
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	0.80 <sup>(2)</sup>									
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	1.90109	51.38	1.79894	48.62	— <sup>(3)</sup>	— <sup>(3)</sup>	0.5070	0.52
31 Dec 01		3.30	1.51110	45.79	1.78890	54.21	— <sup>(3)</sup>	— <sup>(3)</sup>	0.6415	0.67
30 Jun 02		3.70	1.05339	28.47	2.64661	71.53	— <sup>(3)</sup>	— <sup>(3)</sup>	0.6454	0.67
31 Dec 02		3.50	1.47665	42.19	2.02335	57.81	— <sup>(3)</sup>	— <sup>(3)</sup>	0.7000	0.70
30 Jun 03		4.00	1.49729	37.43	2.50271	62.57	— <sup>(3)</sup>	— <sup>(3)</sup>	0.7820	0.78

(1) Initial Public Offer of units in Macquarie Leisure Trust at \$1.00 each.

(2) 1 for 5 Renounceable Rights Issue of units at \$0.80 each.

(3) Tax free amounts are now treated as tax deferred.



## 14. Other Trusts Managed by Macquarie and its Associates as at 30 June 2003

### Listed Property Trusts

#### Macquarie CountryWide Trust

ASX code:	MCW
Sector:	Retail
No. of properties:	117
Total assets:	\$1.0 billion
Unit price:	\$1.71
Distribution yield:	8.2%

Macquarie CountryWide Trust currently holds a portfolio of 117 supermarkets and shopping centres located in Australia, New Zealand and the USA. These properties are anchor tenanted by the major supermarket chains such as Coles and Woolworths which provide in excess of 70% of net trust income. This trust provides investors with a geographically diversified portfolio of supermarket based retail properties with good security of income plus prospects of income growth.

Website: [www.macquarie.com.au/countrywide](http://www.macquarie.com.au/countrywide)

#### Macquarie Office Trust

ASX code:	MOF
Sector:	Commercial
No. of properties:	22
Total assets:	\$1.6 billion
Unit price:	\$1.15
Distribution yield:	8.9%

Macquarie Office Trust has investments in 22 high quality commercial office buildings across Australia. These buildings are substantially tenanted to government departments or investment grade corporates. This trust offers a secure income stream underpinned by long-term leases to quality tenants with a variety of fixed, CPI and market reviews that lock in future distribution growth.

Website: [www.macquarie.com.au/officetrust](http://www.macquarie.com.au/officetrust)

#### Macquarie Park Street Trust

ASX code:	MORPA
Sector:	Commercial
No. of properties:	1
Total assets:	\$271.6 million
RePS price:	\$108.00
Distribution yield:	6.7%

Macquarie Park Street Trust is a sub-trust of Macquarie Office Trust and owns a 50% interest in the Citigroup Centre at 2 Park Street, Sydney.

Website: [www.macquarie.com.au/parkstreet](http://www.macquarie.com.au/parkstreet)

#### Macquarie ProLogis Trust

ASX code:	MPR
Sector:	Industrial (North American)
No. of properties:	73
Share of total property assets:	\$1.1 billion
Unit price:	\$1.20
Distribution yield:	8.8%

Macquarie ProLogis Trust is an innovative listed property trust that gives investors exposure to a diversified portfolio of high quality industrial properties in the US and Mexico. The trust has exposure to 73 properties across 29 locations. The properties are distribution centres located near major markets that can be used for bulk storage, distribution of products and light manufacturing.

Website: [www.macquarie.com.au/macquarieprologis](http://www.macquarie.com.au/macquarieprologis)

## Unlisted Property Trusts

### Macquarie Direct Property

Sector:	Unlisted
No. of trusts:	10
No. of properties:	13
Total assets:	\$575 million

Macquarie Direct Property is one of Australia's leading property syndicators.

An investment in a Macquarie Direct Property gives investors:

- expected average yields generally above 8.00% per annum over five years;
- distributions paid quarterly;
- the potential for tax advantages;
- access to Macquarie's property asset management and financial expertise; and
- an eligible investment for do-it-yourself super funds.

Website: [www.macquarie.com.au/directproperty](http://www.macquarie.com.au/directproperty)

For further information on any of these listed or unlisted property trusts, please contact your stockbroker or financial adviser, Ask Macquarie on 1300 365 585 (local call cost), visit our website [www.macquarie.com.au/propertytrusts](http://www.macquarie.com.au/propertytrusts) or email Macquarie at [propfunds@macquarie.com.au](mailto:propfunds@macquarie.com.au).

## Listed Property Trusts Managed by Macquarie Goodman

### Macquarie Goodman Capital Trust

ASX code:	MGA
Sector:	Industrial
No. of properties:	30
Total assets:	\$1.4 billion
RePS price:	\$108.03
Distribution yield:	7.5%

### Macquarie Goodman Industrial Trust

ASX code:	MGI
Sector:	Industrial
No. of properties:	85
Total assets:	\$2.85 billion
Unit price:	\$1.52
Distribution yield:	8.0%

Website: [www.macquariegoodman.com.au](http://www.macquariegoodman.com.au)

For further information on Macquarie Goodman, please contact Macquarie Goodman Funds Management Limited on 1300 791 100.







## 15. Corporate Directory

### Manager

Macquarie Leisure Management Limited  
(ABN 36 079 630 676)

### Registered Office

Level 15, No. 1 Martin Place  
Sydney. NSW 2000

### Directors of the Manager

Neil Balnaves (Chairman)  
George Bennett  
Anne Keating  
William Moss  
Anthony Fehon  
Stephen Girdis  
James Hodgkinson (Alternate to William Moss)

### Chief Executive Officer

Greg Shaw

### Chief Financial Officer

Simon Ashley

### Secretaries

John Wright  
Dennis Leong

### Manager's Office

Level 13, No. 1 Martin Place  
Sydney NSW 2000

Telephone: (02) 8232 3333  
1300 365 585 (local call cost)

Facsimile: (02) 8232 6510

Email: propfunds@macquarie.com.au

Internet: www.macquarie.com.au/leisuretrust

Level 22, 101 Collins Street  
Melbourne VIC 3000

Level 1, 300 Queen Street  
Brisbane QLD 4000

### ASX Code

MLE

### Custodian

Trust Company of Australia Limited  
35 Clarence Street  
Sydney NSW 2000

### Auditors of the Trust

PricewaterhouseCoopers  
201 Sussex Street  
Sydney NSW 1171

### Unit Registry

ASX Perpetual Registrars Limited  
580 George Street  
Sydney NSW 2000

Locked Bag A14  
Sydney South NSW 1235

Telephone: 1300 303 063

Email: registrars@asxperpetual.com.au

***To arrange changes of address, or changes in  
registration of units, please contact the Unit Registry  
at the address or number listed above.***

Call from anywhere in Australia for further information on  
1300 365 585 (local call cost).

