31 August 2007

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

**MacarthurCook Property Securities Fund (MPS)**
**Results for Announcement to the Market**
**Preliminary Final Report - Appendix 4E**

The attached documents comprise the information required by Listing Rule 4.3A:

- Appendix 4E
- Media Release
- Full Year Financial Statements

Yours sincerely

Richard Hobson
Company Secretary

MacarthurCook Limited ABN 64 009 110 463 Australian Stock Exchange Code: MCK
MacarthurCook Fund Management Limited ABN 79 004 956 558 AFS Licence No: 258052
MacarthurCook Investment Managers Limited ABN 45 099 054 074 AFS Licence No: 225357 SEC No: 801-66388
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31 August 2007

ASX Code : MPS
SGX Code : MacCookPSF

# Announcement

## MacarthurCook Property Securities Fund Achieves Outstanding Results for 2007 Financial Year

MacarthurCook Fund Management Limited, as responsible entity of the MacarthurCook Property Securities Fund (the "Fund"), is pleased to announce the financial results for the year ended 30 June 2007.

The Fund has posted a net profit for the year of $A34.3 million – an increase of approximately 136% over the previous 12 month period. Earnings per unit were A25.6 cents compared with A13.4 cents in the previous year, on a weighted per unit basis.

**Results Highlights**

- Total Return of approximately 19% to Australian Investors for the year to 30 June 2007.
- Total Return of approximately 14% to Singapore Investors since listing 22 December 2006.
- Total Net Profit for the period to 30 June 2007 increased by approximately 136% when compared to the previous year.
- Earnings per unit (weighted basis) exceeded distributions made to unitholders by approximately 169%, or 16.1 Australian cents per unit.
- Net Tangible Asset backing has grown by approximately 13% from A$0.98 at 30 June 2006 to $A1.11 per unit as at 30 June 2007.
- Market Capitalisation has increased approximately 29% from $A122 million on 30 June 2006 to $A158 million at 30 June 2007.
- Closing Unit Price on the ASX increased 10% for the year to 30 June 2007.
- Closing Unit Price on the SGX increased 9.6% since listing 22 December 2006 to 30 June 2007.
- Distributions per unit for the 2007 financial year for Australian investors were on a par with the forecast at 9.5 Australian cents.
- Distributions per unit for the 2008 financial year for Australian investors are forecast to increase to 10.5 Australian cents, or for Singapore investors this equates to approximately 11.4 Singapore cents, assuming an AUD/SGD

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exchange rate of 1.2328, a tax deferred status of 60% and after applying 30% withholding tax.

The results for this period are due to of the successful investment strategy employed by the Fund. With the Fund's secondary listing on the Singapore Stock Exchange, the Fund was able to expand its investment portfolio. The 2007 financial year results show a significant increase in earnings per unit and we are also pleased to see the growth in value of the Fund's investments.

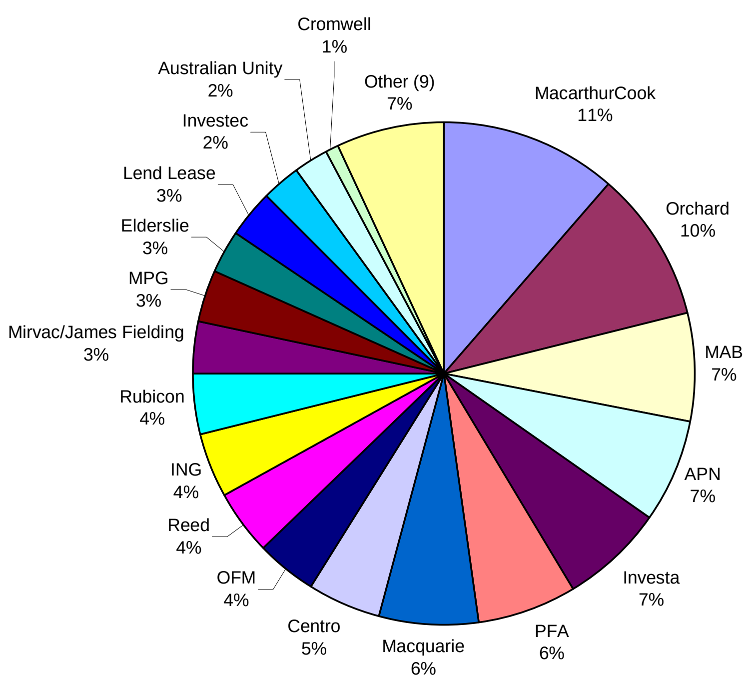
| | 2006 | **2007** | % increase/ (decrease) |
|---|---|---|---|
| **Income Statement** | | | |
| Total revenue ($m) | 17.6 | **39.4** | 124% |
| Total expenses ($m) | 3.1 | **5.1** | 65% |
| Net profit ($m) | 14.5 | **34.3** | 136% |
| | | | |
| **Balance Sheet** | | | |
| Total assets ($m) | 172 | **235.2** | 37% |
| Net assets ($m) | 119 | **161.9** | 36% |
| | | | |
| **Summary Statistics** | | | |
| Units on issue (m) | 122 | **146** | 20% |
| Earnings per unit (cents) | 13.4 | **25.6** | 91% |
| Distributions per unit (cents) | 10.5* | **9.5** | (9.5%) |
| NTA per unit (cents) | **98** | **111** | 13% |

*Includes 1 cent/ unit special distribution

**Portfolio Details**

The Fund's investments are now diversified across 28 real estate investment managers and 52 listed and unlisted funds.

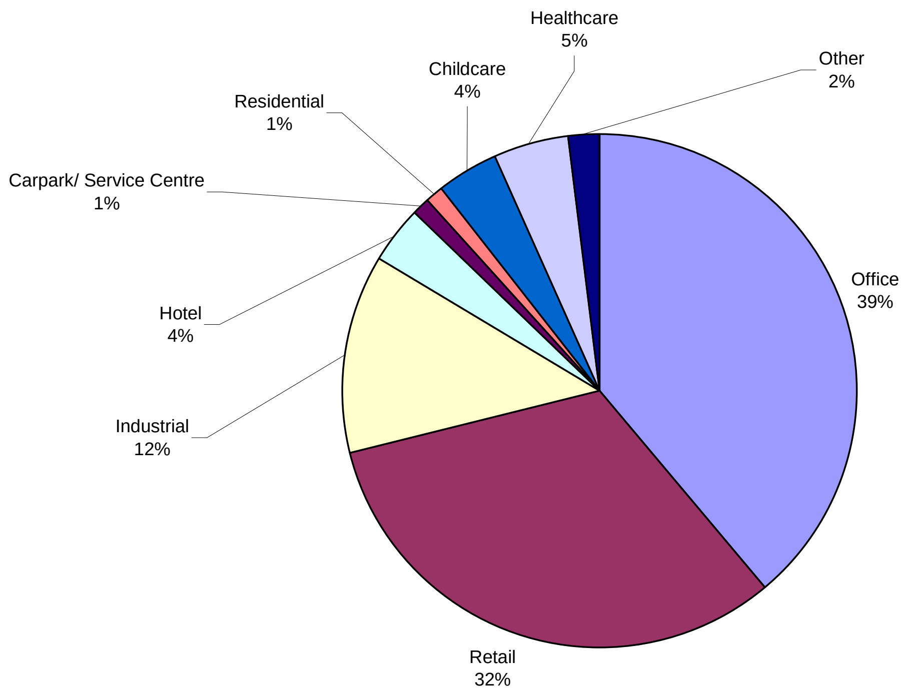
**Manager Diversification as at 30 June 2007**



Fund diversity is reflected in the range of funds and property sectors in which the Fund invests. The portfolio weighting across the different classes of property is closely managed and carefully balanced to ensure the Fund continues to distribute a competitive, low risk level of income to unitholders.

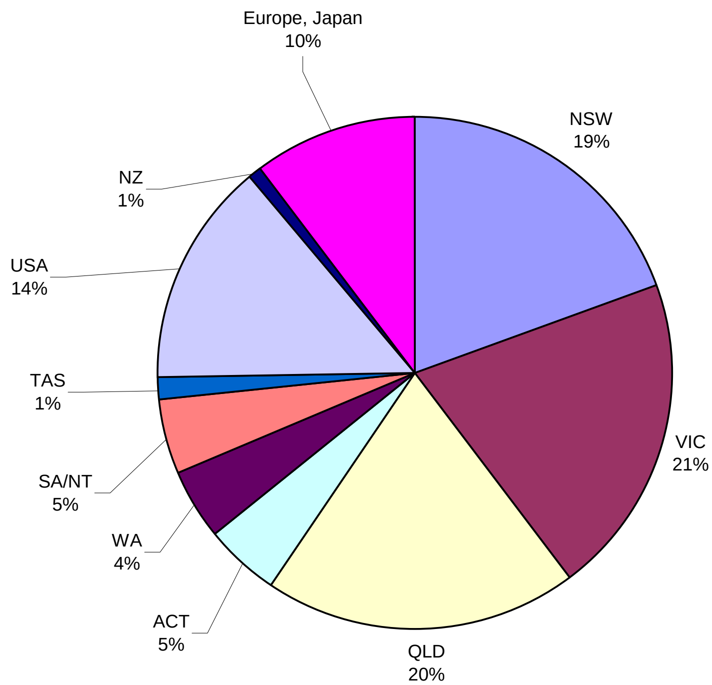
The allocation of the Fund's investments is dominated by the more traditional office, retail and industrial sectors as shown in the chart below. Emerging sectors are also being chosen to further diversify the Fund. These emerging sectors include exposure to childcare, healthcare, service centres, car parks, accommodation and hotel assets. These non-traditional sectors are largely accessed via unlisted property funds, with the investments expected to deliver strong returns.

**Sector Allocation as at 30 June 2007**




The Fund is also diversified across different geographic locations as shown in the chart on the following page. The majority of the assets of the Fund's investments are in Australia. The Australian assets are concentrated in New South Wales, Victoria and Queensland with smaller investments in all other states. The Fund's 25% international exposure is spread over the United States (14%), Europe (8%), Japan (2%) and New Zealand (1%).

**Geographic Allocation as at 30 June 2007**




## Outlook

The outlook for the Fund continues to be positive, providing unitholders with a secure income stream with the potential for long term capital growth. The ASX and SGX unit price has increased over the course of the year, with investments in the Fund's portfolio having performed well. The Fund aims to invest in stable, long-term, low-risk assets. This investment strategy makes the Fund highly attractive for investors looking for income yield.

Distributions for the 2007 financial year were 9.5 Australian cents per unit to Australian investors for the whole year to 30 June 2007, and 4.69 Singapore cents per unit to Singapore investors to 30 June 2007 after withholding tax, for the period from listing on 22 December 2006.

It was announced on 26 June 2007 that ordinary distributions for the 2008 financial year are forecast to increase to 10.5 Australian cents per existing unit. For Singapore investors this equates to approximately 11.4 Singapore cents, assuming an exchange rate at 1.2328, and 60% tax deferred, and after applying 30% withholding tax.

## Distribution Reinvestment Plan

The Distribution Reinvestment Plan (DRP) is currently in operation, enabling Australian resident unitholders to reinvest their quarterly distributions from the Fund. Units issued under the DRP are priced at a 2.5 per cent discount to the average of the volume-weighted average market price of units on the ASX for 10 business days, commencing on the ex-distribution date. These units rank equally with existing units on issue. This is among the largest discounts available in the listed property trust sector.

**About the MacarthurCook Property Securities Fund**

The MacarthurCook Property Securities Fund is listed on the ASX and on the SGX, and aims to provide investors with exposure to a broadly diversified, property-based investment portfolio, targeting a stable, predictable level of income with the opportunity for long term capital growth. The Fund has a market capitalisation at 30 June 2007 of approximately $A158 million and has a $A235 million portfolio invested across 52 listed and unlisted property trusts managed by 28 real estate investment managers.

For further information, please contact:
Craig Turnbull
Head of Real Estate Securities
MacarthurCook Limited
Ph: +613 9660 4555

The initial public offering of the units in the capital of MacarthurCook Property Securities Fund in Singapore was sponsored by Oversea-Chinese Banking Corporation Limited, however the bank assumes no responsibility for the contents of this announcement.

# APPENDIX 4E
# Preliminary Final Report
# Period Ending on or after 30 June 2007

## MACARTHURCOOK PROPERTY SECURITIES FUND

## A.R.S.N. 111 442 150

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

**1. Reporting Period**

Preliminary final report for the financial year to 30 June 2007.

**2. Results for announcement to the market**

| | | | | | **30 June 2007 $'000** |
|---|---|---|---|---|---|
| **2.1** | Revenue from ordinary activities | up | 123.8% | to | 39,375 |
| **2.2** | Profit from ordinary activities | up | 135.8% | to | 34,279 |
| **2.3** | Net profit attributable to unitholders | up | 135.8% | to | 34,279 |

**2.4 Distributions:**

| Distributions paid and payable | 2007 | 2006 |
|---|---|---|
| Quarter ended | Cents per unit | Cents per unit |
| 30 September | 2.375 | 2.375 |
| 31 December | 2.375 | 2.375 |
| 31 March | 2.375 | 2.375 |
| 30 June | 2.375 | 3.375 |
| Total | 9.500 | 10.500 |

**2.5** Record date for determining entitlements to the final distribution was 5.00pm 29 June 2007.

**3. Income Statement**

See attached

**4. Balance Sheet**

See attached

**5. Statement of Cash flows**

See attached

**6. Distributions**

Refer to section 2.4. For further information refer attached Financial Statements (Note 6: Distributions paid and payable).

## 7. Details of Distribution Reinvestment Plan

The Distribution Reinvestment Plan ('DRP') was in operation for all distributions during the period. The last date for receipt of an election notice for participation in the DRP was 5.00pm 29 June 2007. Note that the DRP is no longer available to units listed on the Singapore Stock Exchange.

The DRP price per unit includes a discount of 2.5% to the average of the volume weighted average market price of units traded on the ASX for 10 business days commencing on the ex-distribution date.

## 8. A statement of undistributed income showing movements

| | 30 June 2007 $'000 | 30 June 2006 $'000 |
|---|---|---|
| Undistributed income at beginning of financial period | 3,814 | 822 |
| Net profit attributable to unitholders | 34,279 | 14,539 |
| Distributions paid and payable | (12,725) | (11,547) |
| **Undistributed income at end of financial period** | **25,368** | **3,814** |

## 9. Net tangible assets per security

| | 30 June 2007 $'000 |
|---|---|
| Net tangible asset per security | $1.11 |

## 10. Entities over which control has been gained or lost during the period

Not applicable.

## 11. Details of associates and joint venture entities

Not applicable.

## 12. Other significant information

See attached.

# APPENDIX 4E
# Preliminary Final Report
# Period Ending on or after 30 June 2007

## MACARTHURCOOK PROPERTY SECURITIES FUND

## A.R.S.N. 111 442 150

**13. Accounting standards applied to foreign entities**

Not applicable.

**14. Commentary on results**

Refer to Results Announcement 30 August 2007 attached.

**14.1 Earning per unit**

| | Weighted Average |
|---|---|
| Basic EPS (cents) | 25.60 |
| Diluted EPS (cents) | 25.27 |

**14.2 Returns to unitholders including distribution & buybacks**

Other than distributions paid (refer to section 2.5 above and Note 6 – Distributions paid and payable per attached Financial Statements) there has been no other returns to unitholders.

**14.3 Significant features**

Refer to Income Statement in attached Financial Statements.

**14.4 Segment results**

Refer to Note 14 – Segment information in attached Financial Statements.

**14.5 Trends in performance**

See attached Financial Statements.

**14.6 Other factors**

See attached Financial Statements.

**15. Whether accounts have been audited or subject to review**

The Financial Statements upon which this report is based have been audited.

**16. Likely audit dispute or qualification**

Not applicable.

**17. Actual audit dispute or qualification**

None.

**MACARTHURCOOK PROPERTY SECURITIES FUND**
**ARSN 111 442 150**

# Financial Report

# for the year ended 30 June 2007

# MACARTHURCOOK PROPERTY SECURITIES FUND
(ARSN 111 442 150)

**Financial Report**
**for the year ended 30 June 2007**

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# MACARTHURCOOK PROPERTY SECURITIES FUND
(ARSN 111 442 150)

# Directors' Report
**for the year ended 30 June 2007**

The Directors of MacarthurCook Fund Management Limited (ABN 79 004 956 558 and AFS Licence No. 258052), the Responsible Entity of MacarthurCook Property Securities Fund ("the Fund") present their report, together with the Financial Report of the Fund for the year ended 30 June 2007 and the Auditor's Report thereon.

**Responsible Entity**

The registered office and principal place of business of the Responsible Entity and of the Fund at the date of this report is Level 4, 30 Collins Street, Melbourne, Victoria.

**Directors**

The Directors of the Responsible Entity during or since the end of the financial year are:

| *Name and qualifications* | *Age* | *Experience and special responsibilities* |
|---|---|---|
| Mr.Richard M Haddock<br>B.A,LL.B,FAIM,FAICD,<br>F Fin<br>Independent Chairman and<br>Non-Executive Director | 57 | After an initial career as a lawyer, Richard spent over 20 years in the investment banking industry with BNP Paribas. From 1988 until 2001 Richard was Deputy General Manager for Australia, a position directly responsible for the investment banking, treasury, funds management and stockbroking activities of BNP Paribas. Richard was previously Chairman of Cashcard Australia Limited, Deputy Chairman of BNP Paribas Investment Management (Australia) Limited, a Director of AXA Insurance (Australia) Limited and a committee member of the Salvation Army Red Shield Appeal.<br><br>Richard is currently a Director of Colonial First State Private Capital Limited (since May 2002) and Chairman of its Audit Committee. He is also a director of Tishman Speyer Australia Limited (since December 2004) and Chairman of its Audit Committee, Chairman of Centacare, a director of SCS Superannuation Pty Ltd and Honorary Treasurer of Caritas Australia.<br><br>Director and Chairman since 22 December 2003. |
| Mr. Craig M Dunstan<br>B. Comm, LL.B, MBA,<br>F Fin<br>Managing Director | 47 | Craig held senior management positions with the National Mutual and Lend Lease Groups prior to his appointment as General Manager of Financial Services and Chief Investment Officer of Australian Unity in 1995. He resigned from Australian Unity in 2002 to establish the MacarthurCook Group. Craig was previously a director of Australian Unity Funds Management Limited, York Capital Group Limited, Waltus Investments Australia Limited, Acorn Capital Limited, Permanent Friendly Society Limited and a member of the Investment Committee and Compliance Committee of Australian Unity.<br><br>He is currently a member of the Board of the Asian Public Real Estate Association.<br><br>Director since 22 December 2003. |

# Directors' Report continued

**Directors continued**

| *Name and qualifications* | *Age* | *Experience and special responsibilities* |
|---|---|---|
| Mr.Phillip J Anderson<br>CPA, FCIS, MAICD<br>Independent Non-Executive Director | 59 | Phillip has 30 years experience in the property industry in Australia and overseas, where he held senior executive and finance positions. Phillip was formerly Deputy Chief Executive Officer for LJ Hooker Limited and Hooker Housing Group, Finance Director of Civil and Civic Pty Ltd and Lend Lease Property Group, and Chief Executive Officer of Lend Lease Development Pty Ltd.<br><br>Currently, Phillip is a Chairman of Espreon Limited (since July 2004) and a Director of Hastie Group Limited (since December 2004), Aevum Limited (since April 2007) Isis Projects Pty Ltd, Sakkara Holdings Pty Ltd and NSW Growth Centres Commission.<br><br>Director from 19 April 2004 to 11 May 2007. |
| Mr. Hugh A Gurner<br>B.A (Legal Studies), FAICD<br>Non-Executive Director | 51 | Hugh has over 20 years experience in corporate finance and the financial services industry, with senior roles in research analysis, underwriting and institutional equities sales. Much of Hugh's experience has been focused on ASX-listed companies in two main sectors: property development and property trusts. Hugh's past clients include some of the major property investment and funds management organisations in Australia.<br><br>Hugh was an Executive Director of Citadel Pooled Development Limited, an ASX-listed venture capital company from 1997 to August 2006.<br><br>Director since 22 December 2003. |

**Principal Activities**

The Fund is a listed registered managed investment scheme domiciled in Australia.

On 22 December 2006, the Fund listed on the Singapore Stock Exchange. The Fund is now listed on both the Australian Stock Exchange and Singapore Stock Exchange.

The Fund became a registered scheme under the Corporations Act 2001 on 1 November 2004.

The investment objective of the Fund is to provide investors with regular quarterly income and the potential for long term capital growth. During the year, the Fund continued to invest in a portfolio of property related securities diversified by property sector, geographic location and investment manager.

The Fund did not have any employees during the year and there has been no significant change in its activities.

# Directors' Report continued

**Review and Results of Operations**

During the year, the Fund raised $22.7 million via an initial public offering in Singapore to institutional and retail investors. The units were issued at an Invitation Price of SGD1.25 and began trading on the Singapore Stock Exchange on 22 December 2006. The issue of 22 million units was fully subscribed and increased Unitholders' Funds by $19.3 million after the payment of issue costs.

Throughout the financial year, the debt facility for the Fund was increased from $50 million to $68 million to finance additional investments.

The net proceeds raised by the secondary listing in Singapore and the drawdown of the short term debt facility were invested to increase the diversity of the investment portfolio. As at 30 June 2007, the Fund had fully drawn the $68 million debt facility and had invested in a broader range of funds and property sectors in an extended range of geographic areas.

The operating result for the year ended 30 June 2007 was a net profit of $34,279,000 (2006: $14,538,891) including unrealised gains on investments of $17,506,000 (2006: $3,413,230). Distributions paid and payable for the year ended 30 June 2007 were 66% tax deferred (2006: 85%).

## *Performance*

Since 22 December 2006, the Fund has been listed on both the Australian Stock Exchange (ASX) and the Singapore Stock Exchange (SGX). Distributions to Singapore Unitholders are the Singapore dollar (SGD) equivalent of the Australian distribution, net of exchange and other transaction costs incurred in converting the distribution to SGD.

The performance of the Fund is represented by the aggregation of the percentage capital growth and percentage distribution of income to Australian registered Unitholders and Singapore registered Unitholders respectively, in the following table:

| | **ASX listed units** | | **SGX listed units** |
|---|---|---|---|
| | **Year ended 30 June** | | **Period ended 30 June** |
| | **2007** | **2006** | **2007** |
| | **%** | **%** | **%** |
| Distribution Return | 10.19 | 10.15 | 4.30 |
| Growth Return | 8.50 | (7.67) | 9.60 |
| Total Return | 18.69 | 2.48 | 13.90 |

The distribution return is calculated on the basis of the gross distribution to Unitholders before deducting any withholding tax which may be applicable. The growth return relates to the movement in bid price on the respective ASX and SGX for the year/period to 30 June 2007.

Returns have been calculated after fees and assuming reinvestment of distributions within Australia, in accordance with IFSA Standard 6.00 *Product Performance - calculation and presentation of returns.* Reinvestment of distributions is not available to Singaporean Unitholders whose registered address with The Central Depository (Pte) Limited is outside Australia.

Singapore returns have not been annualised and are calculated using Singapore prices.

***Value of the Fund's assets***

The Fund's assets were valued at $235,167,000 as at 30 June 2007 (2006: $171,576,000) in accordance with the accounting policies set out in Note 3 of the Financial Report.

# Directors' Report continued

**Review and Results of Operations continued**

***Fees paid to the Responsible Entity***

The Responsible Entity and its associates were paid fees and expenses out of the Fund's assets during the year as follows:

| | **2007 $ '000** | **2006 $ '000** |
|---|---|---|
| Expenses incurred by the Responsible Entity on behalf of the Fund in accordance with the Constitution | 418 | 1,214 |
| Management fees | 953 | 701 |

## *Distributions*

Distributions paid or payable during or in respect of the year were:

| | **2007** | | **2006** | |
|---|---|---|---|---|
| | **$ '000** | **Cents per unit** | **$ '000** | **Cents per unit** |
| Quarter ended 30 September (Interim) - paid | 2,907 | 2.3750 | 1,678 | 2.3750 |
| Quarter ended 31 December (Interim) - paid | 2,915 | 2.3750 | 2,873 | 2.3750 |
| Quarter ended 31 March (Interim) - paid | 3,447 | 2.3750 | 2,884 | 2.3750 |
| Quarter ended 30 June (Final) - payable | 3,456 | 2.3750 | 4,112 | 3.3750 |
| | 12,725 | 9.5000 | 11,547 | 10.5000 |

***Directors' Interests***

The relevant interest of each Director and Director Related Parties of the Responsible Entity in the Funds' unit capital, at the date of this report, are set out below:

***Number of units held***

| | **2007** | **2006** |
|---|---|---|
| Mr. Richard M Haddock | 117,869 | 107,748 |
| Mr. Craig M Dunstan | 21,156 | 20,597 |
| Mr. A. Hugh Gurner | 65,438 | 39,240 |

# Directors' Report continued

***Interests of the Responsible Entity and associates***

Details of holdings in the Fund by the Responsible Entity, other funds operated by the Responsible Entity and other related parties are set out below:

**2007**

| **Entity / Person** | **Relationship** | **Unit holding ('000)** | **Units issued ('000)** | **Units Redeemed ('000)** |
|---|---|---|---|---|
| Arc Funds Management Ltd | Related Responsible Entity | - | - | 472 |
| MacarthurCook Fund Management Ltd | Responsible Entity | 472 | 472 | - |
| MacarthurCook Diversified Property Income Fund | Common Responsible Entity | 2,113 | 820 | - |
| Mr. Richard M Haddock | Director | 115 | 11 | - |
| Mr. Craig M Dunstan | Director | 21 | 1 | - |
| Mr. A. Hugh Gurner | Director | 65 | 26 | - |
| | | 2,786 | 1,330 | 472 |

**2006**

| **Entity / Person** | **Relationship** | **Unit holding ('000)** | **Units issued ('000)** | **Units redeemed ('000)** |
|---|---|---|---|---|
| Arc Funds Management Ltd | Related Responsible Entity | 472 | 472 | - |
| MacarthurCook Fund Management Ltd | Responsible Entity | - | 322 | 472 |
| MacarthurCook Diversified Property Income Fund | Common Responsible Entity | 1,293 | 1,196 | - |
| Mr. Richard M Haddock | Director | 104 | 39 | - |
| Mr. Craig M Dunstan | Director | 20 | 18 | - |
| Mr. A. Hugh Gurner | Director | 39 | 39 | - |
| | | 1,928 | 2,086 | 472 |

The Responsible Entity also holds 1,752,605 Deferred Units at 30 June 2007 (2006: 1,752,605) paid to $0.00001 cent. A Deferred Unit carries no voting rights and no right to participate in any distribution from the Fund until it converts to an Ordinary unit. The Deferred Units will only convert into Ordinary Units on the terms set out in the Fund's Constitution. Performance fees are paid to the Responsible Entity by converting a number of Deferred Units into Ordinary units as outlined in Note 3(g).

**Significant Changes in State of Affairs**

MacarthurCook Fund Management Limited as responsible entity for the MacarthurCook Retail Property Trust ("MCK RPT") and as responsible entity for the Fund entered into an underwriting agreement dated 14 February 2007. MCK RPT offered underwriting Units in the MacarthurCook Retail Property Trust, pursuant to its product disclosure statement, dated 26 September 2006. The Fund subscribed for $5 million

# Directors' Report continued

**Significant Changes in State of Affairs continued**

underwriting Units, subject to the market terms and conditions set out in the agreement. The distribution is set at 9.5% pa (nominal) for the amount called and the term of the agreement is 12 months. The initial underwriting fee is 0.5% of the value of Units called. Upon winding-up of the MacarthurCook Retail Property Trust, these underwriting Units will rank in preference to all other Units on issue, in terms of repayment of capital subscribed for them.

On 22 December 2006, the Fund issued 22 million Ordinary units via a secondary listing on the Singapore Stock Exchange. This units were issued at $S1.25 per unit, raising $19.3 million after the payment of issue costs.

Other than the matters discussed above, there have been no other changes in the state of affairs of the Fund that occurred during the financial year.

**Interests in the Fund**

The number of interests in the Fund were:

| | **2007** | **2006** |
|---|---|---|
| Ordinary Units | 145,535,735 | 121,842,600 |
| Deferred Units | 1,752,605 | 1,752,605 |
| Total Units in issue | 147,288,340 | 123,595,205 |

During the year, 22,000,000 (2006: 50,432,245) Ordinary Units were issued as a result of a rights issue and public offer and 1,693,135 Units (2006: 1,191,924) by way of reinvestment of distributions. There were no withdrawals or redemptions of Units other than those referred to above.

**Likely Developments**

The Fund will continue to pursue its investment policy through active investment selection. The Responsible Entity proposes to make a renounceable rights issue to ASX-listed and SGX listed Unitholders to finance the expansion of the investment portfolio within the target loan to value ratio.

Further information about likely developments in the operations of the Fund and the expected results of those operations in future financial years has not been included in this Report because disclosure of the information would be likely to result in unreasonable prejudice to the Fund.

**Environmental Regulation**

The Fund's operations are not subject to any significant environmental regulation under Commonwealth, State or Territory legislation.

**Events Subsequent to Balance Date**

There has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

# Directors’ Report continued

**Indemnities and Insurance Premiums for Officers or Auditors**

***Indemnification***

Under the Fund’s Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

***Insurance Premiums***

No insurance premiums are paid out of the Fund's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Audit, Risk and Compliance Committee or the auditors of the Fund.

**Lead Auditor's Independence Declaration**

The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' Report for the year ended 30 June 2007.

**Non-audit services**

During the year KPMG, the Fund’s auditors, provided taxation and due diligence services in addition to their statutory duties. The Responsible Entity considered the advice of the Audit, Risk and Compliance Committee in relation to these non-audit services and resolved that the provision of those services by the Auditor during the year is compatible with, and did not compromise, the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to corporate governance procedures adopted by the Fund and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the Auditor; and

- the non-audit services provided do not undermine the general principles relating to Auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the Auditor’s own work, acting in a management or decision making capacity for the Fund, acting as an advocate or jointly sharing the risks and rewards.

**Rounding of amounts**

The Fund is of a kind referred to in ASIC Class Order 98/100 (as amended) 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.

Signed in accordance with a resolution of the Directors of MacarthurCook Fund Management Limited:

Richard M Haddock
Chairman
Melbourne, 30 August 2007

KPMG

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of MacarthurCook Fund Management Limited, the responsible entity of the MacarthurCook Property Securities Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG

KPMG

A Waters

Andrea Waters
*Partner*

Melbourne

30 August 2007

# MACARTHURCOOK PROPERTY SECURITIES FUND
(ARSN 111 442 150)

## INCOME STATEMENT
**for the year ended 30 June 2007**

| | Note | 2007<br>$ ′000 | 2006<br>$ ′000 |
|---|---|---|---|
| **Investment income** | | | |
| Distribution income | | 15,770 | 11,971 |
| Interest income | | 323 | 211 |
| Placement fee income | | 2,030 | 1,576 |
| Profit on sale of investments | 4 | 3,251 | 387 |
| Net change in fair value of investments | 4 | 17,506 | 3,413 |
| Other income | | 495 | 35 |
| **Net investment income** | | **39,375** | **17,593** |
| **Expenses** | | | |
| Responsible Entity fees | 17(b) | 953 | 701 |
| Administration expenses | | 367 | 347 |
| Borrowing costs | | 3,720 | 1,972 |
| Auditors’ remuneration | 5 | 56 | 34 |
| **Total expenses** | | **5,096** | **3,054** |
| **Net profit** | | **34,279** | **14,539** |
| **Distributions** | | | |
| Distributions paid and payable | 6 | 12,725 | 11,547 |
| **Change in net assets attributable to Unitholders** | 7 | **21,554** | **2,992** |
| **Earnings per Unit attributable to Unitholders:** | | | |
| Basic earnings per Unit | 15 | **25.60** | **13.35** |
| Diluted earnings per Unit | 15 | **25.27** | **13.14** |

*The Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 34.*

# MACARTHURCOOK PROPERTY SECURITIES FUND
(ARSN 111 442 150)

# STATEMENT OF CHANGES IN EQUITY
**for the year ended 30 June 2007**

| | Unitholders' funds | | Undistributed income | | Total equity | |
|---|---|---|---|---|---|---|
| | 2007<br>$ '000 | 2006<br>$ '000 | 2007<br>$ '000 | 2006<br>$ '000 | 2007<br>$ '000 | 2006<br>$ '000 |
| **Opening balance** | 115,369 | 66,229 | 3,814 | 822 | 119,183 | 67,051 |
| Net profit for year | - | - | 34,279 | 14,539 | 34,279 | 14,539 |
| **Transactions with Unitholders** | | | | | | |
| Applications | 21,178 | 49,140 | - | - | 21,178 | 49,140 |
| Distributions paid/payable | - | - | (12,725) | (11,547) | (12,725) | (11,547) |
| **Closing balance** | 136,547 | 115,369 | 25,368 | 3,814 | 161,915 | 119,183 |

*The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 34.*

# MACARTHURCOOK PROPERTY SECURITIES FUND
(ARSN 111 442 150)

# BALANCE SHEET
**As at 30 June 2007**

| | Note | 2007 $ '000 | 2006 $ '000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 8 | 3,121 | 699 |
| Receivables | 9 | 4,518 | 4,073 |
| Prepaid interest | | 13 | - |
| Financial assets held at fair value through profit or loss | | | |
| Listed property securities | 10 | 53,554 | 38,708 |
| Unlisted property securities | 10 | 173,961 | 128,096 |
| **Total assets** | | **235,167** | **171,576** |
| **Liabilities** | | | |
| Payables | 11 | 1,796 | 6,081 |
| Distribution payable | 6 | 3,456 | 4,112 |
| Interest bearing liabilities | 12 | 68,000 | 42,200 |
| **Total liabilities** | | **73,252** | **52,393** |
| **Net assets** | | **161,915** | **119,183** |
| **Equity** | | | |
| Undistributed income | | 25,368 | 3,814 |
| Unitholders' funds | | 136,547 | 115,369 |
| **Total Equity** | 7 | **161,915** | **119,183** |

*The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 34.*

# MACARTHURCOOK PROPERTY SECURITIES FUND
(ARSN 111 442 150)

## STATEMENT OF CASH FLOWS
**for the year ended 30 June 2007**

| | Note | 2007 $ '000 | 2006 $ '000 |
|---|---|---|---|
| **Cashflows from operating activities** | | | |
| Distributions received | | 14,691 | 10,493 |
| Interest | | 436 | 211 |
| Placement fees | | 2,109 | 1,726 |
| Other income | | 231 | 27 |
| Interest and other costs of finance | | (3,820) | (2,037) |
| Other expenses | | (1,577) | (1,149) |
| **Net cash inflow from operating activities** | 16 | **12,070** | **9,271** |
| **Cashflows from investing activities** | | | |
| Purchase of investments | | 31,415 | (70,303) |
| Proceeds on sale of investments | | (73,969) | 3,393 |
| Proceeds from borrowings | | 40,800 | 42,200 |
| Repayment of borrowings | | (15,000) | (27,300) |
| **Net cash outflow from investing activities** | | **(16,754)** | **(52,010)** |
| **Cashflows from financing activities** | | | |
| Proceeds from rights issue and public offer | | 22,783 | 51,690 |
| Issue and further raising costs | | (4,021) | (3,285) |
| Distributions paid[1] | | (11,656) | (7,845) |
| **Net cash inflow from financing activities** | | **7,106** | **40,560** |
| Change in cash balance during the year | | 2,422 | (2,179) |
| Cash at the beginning of the year | | 699 | 2,878 |
| **Cash at the end of the year** | | **3,121** | **699** |

1. Distributions paid is net of $1,693,135 (2006: $1,203,190) which was reinvested under the Fund's Dividend Reinvestment Plan.

*The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 34.*

# NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 June 2007**

## 1. Reporting Entity

The Fund is a registered Managed Investment Scheme under the Corporations Act 2001. The Financial Report of the Fund is for the year ended 30 June 2007. The Financial Report was authorised for issue by the Directors of the Responsible Entity on 30 August 2007.

## 2. Basis of preparation

### (a) Statement of Compliance

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001. The Financial Report of the Fund also complies with International Financial Reporting Standard's (IFRS) and interpretations adopted by the International Accounting Standards Board.

### (b) Functional and presentation currency

The Financial Report is presented in Australian dollars, which is the Fund's functional currency.

The Fund is of a kind referred to in ASIC Class Order 98/100 (as amended) 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 Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

### (c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect are recognised in Note 3 (d) Financial instruments.

## 3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Income and expenses

Revenue and expenses are brought to account on an accruals basis except where stated otherwise.

**Distribution income**

For all listed and some unlisted securities, distribution income is recognised at the date the securities are quoted ex-distribution.

**Interest income**

Interest income is recognised in the Income Statement, using the effective interest rate method.

**Placement fee income**

Placement fee income is recognised when the Fund becomes unconditionally entitled to the fee.

**Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

### (b) Receivables

Receivables include accrued income, any unsettled sales of securities and GST.

### (c) Payables

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

The distribution amount payable to investors as at year end is recognised separately on the Balance Sheet. Purchases of securities are recorded on trade date and normally settle within three business days. Purchases of securities that are unsettled at reporting date are included in payables.

**3. Summary of significant accounting policies (continued)**

**(d) Financial instruments**

**(i) Classification**

On 1 July 2005, the Fund designated all its debt and equity investments into the “fair value through profit or loss” category.

The financial assets and financial liabilities at fair value through profit or loss is comprised of financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold, and investments in listed and unlisted property securities.

The fair value through profit or loss classification is in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The fair value through profit or loss classification is available for the majority of the financial assets and financial liabilities held by the Fund as the Fund’s performance is evaluated on a fair value basis and information about the Fund is provided on that basis to the directors of the Responsible Entity.

Financial liabilities that are not at fair value through profit or loss include balances due to deferred trade settlement and payables.

**(ii) Recognition**

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their part of the contract, or the contract is a derivative contract not exempted from the scope of AASB 139.

**(iii) Measurement**

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Income Statement.

Financial assets and liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

**3. Summary of significant accounting policies (continued)**

**(d) Financial instruments (continued)**

**(iv) Fair value measurement principles**

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid price, whilst financial liabilities are priced at current asking price.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

Investments in unlisted managed investment schemes are recorded at the exit price as reported by the managers of such schemes.

**(v) Derecognition**

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

The Fund uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(vi) Specific instruments**

**Cash and cash equivalents**

Cash is comprised of current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments.

## 3. Summary of significant accounting policies (continued)

### (e) Distributions and taxation

In accordance with the Fund Constitution and applicable taxation legislation, the Fund distributes its taxable income in full to the Unitholders who are presently entitled to the income. As the Fund fully distributes its taxable income, it is not subject to income tax.

Realised capital losses are not distributed to Unitholders and are retained in the Fund to be offset against any current or future realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to the Unitholders.

Distributions to Unitholders are made net of any applicable withholding tax. Distributions to Singapore Unitholders are the Singapore dollar (SGD) equivalent of the Australian distribution, net of exchange and other transaction costs incurred in converting the distribution to SGD.

### (f) Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). Receivables and payables are stated in the Balance Sheet with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability, respectively in the Balance Sheet. Cash flows are included in the Statement of Cash Flows with the amount of GST included.

### (g) Performance fees

The Fund accrues a Performance Fee where the Fund outperforms the S&P/ASX200 Property Trust Accumulation Index. The Responsible Entity waives such part of the Performance Fee as is necessary so that the Performance Fee payable in any year is capped at the lesser of $2 million or 0.50% per annum of the Fund value for each financial year since the last Performance Fee was paid.

### (h) Unit prices

The Fund is listed on the Australian and Singapore Stock Exchanges and the prices are dictated by these respective markets.

### (i) Segment reporting

The Fund does not engage in either diverse business segments nor invest in asset classes within a particular geographical segment, which are subject to risks and rewards that are different from those of other segments.

### (j) Accounting estimates and judgements

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

The Directors and Management of the Responsible Entity have discussed the development, selection and disclosure of the Fund’s critical accounting policies and estimates and the application of these policies and estimates.

**3. Summary of significant accounting policies (continued)**

**(k) Change in net assets attributable to Unitholders**

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as a change in net assets attributable to Unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

**(l) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Scheme in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing these financial statements:

- AASB 101 *Presentation of Financial Statements (*October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007. Application of this standard will not affect any of the amounts recognised in the Financial Statements.

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Scheme's financial instruments.

- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 101 *Presentation of Financial Statements,* AASB 114 *Segment Reporting,* AASB 139 *Financial Instruments: Recognition and Measurement and* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.*

- AASB 8 *Operating segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]* are applicable to annual reporting periods beginning on or after 1 January 2009. The Scheme has not adopted these standards early. These standards specify changes to the requirements of segment disclosures. Application of these standards will not affect any of the amounts recognised in the financial statements. No significant impact to the existing segment disclosures is anticipated as the Fund operates in single segment.

# NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 June 2007**

## 4. Net change in the fair value of investments

| | 2007<br>$ ’000 | 2006<br>$ ’000 |
|---|---|---|
| Net realised gains on listed securities | | |
| Listed securities | 1,339 | 387 |
| Unlisted securities | 1,912 | - |
| | 3,251 | 387 |
| Net unrealised gains: | | |
| Listed securities | 4,124 | (418) |
| Unlisted securities | 13,382 | 3,831 |
| | 17,506 | 3,413 |

## NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 June 2007**

### 5. Auditors' remuneration

| | 2007<br>$ | 2006<br>$ |
|---|---|---|
| ***Audit services:*** | | |
| Auditors of the Fund - KPMG | | |
| Audit and review of the financial reports | 33,500 | 20,427 |
| Other regulatory audit services (compliance plan) | 4,500 | 2,420 |
| ***Other services:*** | | |
| Auditors of the Fund - KPMG | | |
| Taxation services | 18,000 | 11,570 |
| | 56,000 | 34,417 |
| Due diligence services relating to the proposed Singapore Stock Exchange listing capitalised in the Balance Sheet | 55,705 | 101,250 |
| | 111,705 | 135,667 |

# NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 June 2007**

## 6. Distributions paid and payable

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | **$ ’000** | **Cents per Unit** | **$ ’000** | **Cents per Unit** |
| Quarter ended 30 September (Interim) - paid | 2,907 | 2.3750 | 1,678 | 2.3750 |
| Quarter ended 31 December (Interim) - paid | 2,915 | 2.3750 | 2,873 | 2.3750 |
| Quarter ended 31 March (Interim) - paid | 3,447 | 2.3750 | 2,884 | 2.3750 |
| Quarter ended 30 June (Final) - payable | 3,456 | 2.3750 | 4,112 | 3.3750 |
| | 12,725 | 9.5000 | 11,547 | 10.5000 |

## 7. Unitholders' Funds

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | **No. of Units (’000)** | **$ ’000** | **No. of Units (’000)** | **$ ’000** |
| Opening balance | 123,595 | 119,183 | 72,218 | 67,001 |
| Change in accounting policy as a result of AASB 132 and AASB 139 | - | - | - | 50 |
| Adjusted opening balance | 123,595 | 119,183 | 72,218 | 67,051 |
| Applications | | | | |
| Ordinary Units (a) | 23,693 | 24,538 | 51,624 | 53,160 |
| Issue costs (b) | - | (3,360) | - | (4,020) |
| Deferred Units (c) | - | - | (247) | - |
| Total applications | 23,693 | 21,178 | 51,377 | 49,140 |
| Change in net assets attributable to Unitholders | - | 21,554 | - | 2,992 |
| Closing balance | 147,288 | 161,915 | 123,595 | 119,183 |

(a) 1,693,135 Ordinary Units were issued as a result of the reinvestment of distributions pursuant to the Distribution Reinvestment Plan (2006: 1,191,924).
(b) Issue costs relate to the 1 for 2 renounceable rights issue and public offer in September 2005 and costs of the secondary listing of the Fund on the Singapore Stock Exchange.
(c) For the period ended 30 June 2005 the Responsible Entity earned $266,321 in performance fees. The fee was paid during the 2006 year by way of conversion of 247,395 Deferred Units into an equivalent number of Ordinary Units. The Units were issued at $1.0765 in accordance with the terms of the Fund’s Constitution.

All Ordinary Units in the Fund carry equal rights and each Unit represents a right to the underlying assets of the Fund.

Deferred Units held by the Responsible Entity carry no voting rights and have no right to the underlying assets of the Fund and will only participate in any distribution on conversion to Ordinary Units. The Deferred Units will only convert into Ordinary Units on the terms set out in the Constitution.

## NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 June 2007**

### 8. Cash and cash equivalents

| | 2007<br>$ '000 | 2006<br>$ '000 |
|---|---|---|
| Current deposits with banks | 3,121 | 699 |
| | 3,121 | 699 |

### 9. Receivables

| | 2007<br>$ '000 | 2006<br>$ '000 |
|---|---|---|
| Accrued income | 4,243 | 3,119 |
| Unsettled trades | 65 | 954 |
| GST receivable | 95 | - |
| Placement fees | 115 | - |
| **Total receivables** | 4,518 | 4,073 |

### 10. Investments

| | 2007<br>$ '000 | 2006<br>$ '000 |
|---|---|---|
| **Listed property securities** | | |
| Australand Property Group | 508 | - |
| Australian Education Trust | 2,061 | - |
| APN European Retail Trust - partly paid | - | 531 |
| APN European Retail Trust - fully paid | 3,627 | 1,028 |
| APN Regional Property Fund | 2,457 | 2,520 |
| Aspen Group Limited | - | 395 |
| Australand Property Group | - | 2,314 |
| Centro Retail Group | - | 504 |
| Centro Shopping America Trust (Formerly: Galileo Shopping America Trust) | 2,747 | 3,518 |
| Cromwell Group | 1,829 | - |
| ING Real Estate CommUnity Living Fund | 2,058 | - |
| ING Real Estate Entertainment Fund | 1,455 | 274 |
| MacarthurCook Asian Real Estate Securities Fund | 4,712 | - |
| Macquarie Countrywide Trust | - | 673 |
| Macquarie DDR Trust | 626 | 3,437 |
| Macquarie Office Trust | - | 1,825 |
| Macquarie Prologis Trust | 5,337 | 4,176 |
| Mariner American Property Income Trust | 2,111 | 1,477 |
| Mirvac Industrial Trust (Formerly: JF US Industrial Trust) | 3,038 | 2,904 |
| PFA Diversified Property Trust | 13,030 | 10,586 |
| Rubicon Europe Trust Group | 4,640 | 478 |
| Rubicon Japan Trust Group | 3,318 | - |
| Trafalgar Corporate Group | - | 770 |
| Trinity Property Group | - | 1,298 |
| **Total listed property securities** | 53,554 | 38,708 |

## NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 June 2007**

**10. Investments (continued)**

| | 2007 $ '000 | 2006 $ '000 |
|---|---|---|
| **Unlisted property securities** | | |
| APN/UKA Poland Retail Trust | 7,000 | - |
| Austgrowth Property Syndicate No. 23 (St Kilda Rd) | 3,500 | 3,500 |
| Australian Prime Property Fund (Lend Lease) | 6,290 | 5,527 |
| Australian Unity Healthcare Property Trust | 1,874 | 1,708 |
| Australian Unity Retirement Village Investment Notes | 2,500 | 2,500 |
| Australian Unity Wholesale Property Fund | - | 5,181 |
| Centro MCS 32 | 1,320 | 1,140 |
| Centro MCS 33 | 1,845 | 1,620 |
| Centro MCS 35 | 2,950 | 2,478 |
| Centro MCS 36 | 3,550 | 3,500 |
| Childcare Property Trust (Orchard) | 8,594 | 7,930 |
| Commercial Office Fund (Orchard) | 5,874 | 5,000 |
| Cromwell Diversified Property Trust | - | 12,000 |
| Domaine Hunter Fund | 3,765 | 3,500 |
| Elderslie Diversified Property Fund | 7,576 | 2,500 |
| Essential Healthcare Trust (Orchard) | 5,219 | 2,500 |
| ING Real Estate Direct Office Fund | 4,719 | 2,529 |
| Investa Diversified Office Fund | 13,976 | 10,000 |
| MAB Diversified Property Trust | 7,100 | 7,000 |
| MAB International Retail Trust | 7,000 | - |
| MacarthurCook Industrial Property Trust | 14,052 | 11,125 |
| MacarthurCook Office Property Trust | 10,566 | 10,258 |
| MacarthurCook Retail Property Trust | 4,431 | - |
| Macquarie Direct Property No. 11 - East Coast Portfolio | 6,374 | 5,750 |
| Mirvac Industrial Fund (Former: James Fielding Industrial Fund) | 512 | 472 |
| Mirvac Retail Portfolio (Former: James Fielding Retail Portfolio) | 3,013 | 2,656 |
| MPG Bulky Goods Retail Trust | 5,280 | 4,400 |
| OFM Direct Property Trust | 7,800 | 5,300 |
| Ray White Invest Service | 2,460 | - |
| Reed Property Trust | 13,264 | 2,500 |
| Stockland Direct Office Trust No.3 | 4,000 | - |
| Teys Starta Mortgage Trust - Wholesale Facility | 2,000 | - |
| Toga Accommodation Fund | 5,000 | 5,000 |
| Trinity Property Trust | 557 | 522 |
| **Total unlisted property securities** | 173,961 | 128,096 |
| **Total investments** | 227,515 | 166,804 |

## 11. Payables

| | 2007<br>$ '000 | 2006<br>$ '000 |
|---|---|---|
| Deferred trade settlement | 1,440 | 4,948 |
| Accrued expenses | 303 | 1,129 |
| GST payable | 50 | 4 |
| Sundry creditors | 3 | - |
| **Total payables** | 1,796 | 6,081 |

## 12. Interest bearing liabilities

At 30 June 2007, the Fund had a fully drawn cash advance (revolving) facility with Oversea-Chinese Banking Corporation Limited ("OCBC") of $68 million. At 30 June 2006, the facility was $50 million, drawn to $42 million with $8 million unutilised. The facility is repayable in full by 15 May 2008 unless extended by mutual agreement between OCBC and the Fund and is secured by a fixed and floating charge over the assets and rights of the Fund.

## 13. Commitments and contingent assets and liabilities

### (a) Placement fee income

The Fund invests in a number of unlisted property securities. As part of the investment, the responsible entity of a number of these securities has agreed to pay the Responsible Entity a placement fee. The payment of some of these fees is contingent upon the Fund continuing to hold the relevant investment until future points in time. A contingent asset of $113,200 relates to such placement fees (2006: $1,741,135).

### (b) Reimbursement fee

In accordance with the Fund's Constitution and subject to the proper performance of its duties, as at 30 June 2007 the Responsible Entity would be entitled to a reimbursement fee of $1.2 million (2006: $1.6 million) if it is removed as the Responsible Entity of the Fund within more than 1 year and less than 2 years of the Fund being admitted to the Official List of the Australian Stock Exchange. The amount of the reimbursement fee which may become payable to the Responsible Entity is reduced by $400,000 on each anniversary date of the date on which the Fund is admitted to the Official List, so that there will be no reimbursement fee payable if the Responsible Entity is removed as Responsible Entity of the Fund more than 5 years from the date on which the Fund is admitted to the Official List.

## 14. Segment information

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Fund invests in property and property related securities.

The Fund does not have any direct investments outside of Australia. A number of the listed and unlisted property securities in which the Fund has an investment may hold direct property outside Australia.

The Fund does not look through the underlying investments of its investee funds in determining segment disclosures.

# NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 June 2007**

## 14. Segment information (continued)

### (c) Asset allocation

The Fund has exposure to listed and unlisted property securities. Details of exposure to each asset class are disclosed in Note 10.

## 15. Earnings per Unit

| | 2007 | 2006 |
|---|---|---|
| Net operating profit ($'000) | 34,279 | 14,539 |
| Weighted average number of ordinary Units ('000) | 133,904 | 108,899 |
| **Basic earnings per Unit (cents)** | **25.60** | **13.35** |
| | | |
| Weighted average number of ordinary and deferred Units ('000) | 135,657 | 110,651 |
| **Diluted earnings per Unit (cents)** | **25.27** | **13.14** |

## 16. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

| | 2007<br>$ '000 | 2006<br>$ '000 |
|---|---|---|
| Net operating profit | 34,279 | 14,539 |
| | | |
| Add/(less) non-cash items: | | |
| Net change in fair value of investments | (17,506) | (3,413) |
| Profit on sale of investments | (3,251) | (387) |
| Change in accounting policy as a result of AASB 132 and 139 | - | (50) |
| Performance fee | - | (266) |
| | | |
| Change in assets and liabilities during the year | | |
| Increase/(decrease) in payables | (777) | 330 |
| (Increase)/decrease in receivables | (675) | (1,482) |
| Net cash provided by operating activities | **12,070** | **9,271** |

## 17. Related parties

***Responsible Entity***

The responsible entity of the MacarthurCook Property Securities Fund is MacarthurCook Fund Management Limited (ABN 79 004 956 558) whose ultimate holding company is MacarthurCook Limited (ABN 64 009 110 463). MacarthurCook Limited is incorporated in Australia.

The Responsible Entity is entitled to a management fee of 0.45% per annum of the Fund Value which is calculated based on gross asset value in accordance with the Fund Constitution.

### (a) Remuneration of Directors and Key Management Personnel

The Fund does not employ personnel in its own right. The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered to be the key management personnel.

The Directors and Executives of the Responsible Entity, being key management personnel, are:

- Richard Haddock - Chairman and Non-Executive Director
- Craig Dunstan -Managing Director
- Phillip Anderson -Non-Executive Director (resigned 11 May 2007)
- Hugh Gurner - Non-Executive Director
- Chris Nunn - Head of Commercial Development
- Craig Turnbull - Head of Real Estate Securities
- Lee Ward - Chief Financial Officer

The Fund does not pay any compensation directly to any of the key management personnel of the Responsible Entity.

Since the end of the financial year, no key management personnel of the Responsible Entity have received or become entitled to receive any benefit because of a contract made by the Responsible Entity with key management personnel or with a firm of which any key management personnel is a member or with an Entity in which any key management personnel has a substantial interest, except at terms set out in the Fund Constitution.

Apart from the details disclosed in this note, no key management personnel have entered into a contract for services with the Responsible Entity since the end of the previous financial year and there were no contracts involving key management personnel subsisting at year end.

**17. Related parties (continued)**

**(b) Responsible entity fees and other transactions**

| | 2007 $ | 2006 $ |
|---|---|---|
| Fund expenses reimbursed to the Responsible Entity | 418,271 | 1,214,307 |
| Management fees paid and payable by the Fund | 952,599 | 700,510 |

In accordance with the Fund Constitution, the Responsible Entity is reimbursed for all expenses reasonably and properly incurred in connection with the Fund or in performing its obligations under the Fund Constitution.

At balance date, $302,621 (2006: $197,620) was owing to the Responsible Entity and included in Payables.

**(c) Related party transactions**

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time, the Responsible Entity or its director-related entities may buy or sell Units in the Fund. These transactions are subject to the same terms and conditions as those entered into by other Fund investors and are subject to corporate governance policies of the MacarthurCook Group.

***Related party investments held by the Fund***

The Fund may purchase and sell Units in other approved funds managed by the Responsible Entity in the ordinary course of business at application and redemption prices calculated in accordance with the constitution of those funds. Details of the Fund's investments in other funds operated by the Responsible Entity are set out below.

| **30 June 2007**<br>**Fund Name** | **Units held** | **Net fair value $ ’000** | **Interest held %** | **Units purchased (’000)** | **Units sold (’000)** | **Distribution received/ receivable $ ’000** |
|---|---|---|---|---|---|---|
| MacarthurCook Asian Real Estate Securities Fund | 4,711,990 | 4,712 | 9.42 | 4,712 | - | - |
| MacarthurCook Industrial Property Trust (Wholesale Units) | 10,906,590 | 12,306 | 16.53 | - | - | 1,025 |
| MacarthurCook Industrial Property Trust (Underwriter Units) | 1,400,000 | 1,400 | 2.12 | - | - | 50 |
| MacarthurCook Office Property Trust (Wholesale Units) | 10,258,376 | 10,252 | 27.41 | - | - | 874 |
| MacarthurCook Retail Property Trust (Underwriter Units) | 4,430,837 | 4,431 | 19.59 | 4,431 | - | 157 |
| | | 33,101 | | | | 2,106 |

## NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 June 2007**

### 17. Related parties (continued)

| **30 June 2006** Fund Name | Units held | Net market value $ '000 | Interest held % | Units purchased ('000) | Units sold ('000) | Distribution received/ receivable $ '000 |
|---|---|---|---|---|---|---|
| MacarthurCook Industrial Property Trust (Wholesale Units) | 10,889,683 | 11,125 | 19.09 | 10,890 | - | 779 |
| MacarthurCook Office Property Trust (Wholesale Units) | 10,258,376 | 10,258 | 19.97 | 10,258 | - | 111 |
| | | 21,383 | | | | 890 |

***Units in the Fund held by related parties***

Details of holdings in the Fund by the Responsible Entity, other funds operated by the Responsible Entity and other related parties are set out below:

**30 June 2007**

| Entity | Relationship | Unit holding ('000) | Interest held % | Units issued ('000) | Units redeemed ('000) | Distribution paid/payable $ '000 |
|---|---|---|---|---|---|---|
| Arc Funds Management Ltd | MacarthurCook Group Responsible Entity | - | - | - | 472 | 22 |
| MacarthurCook Fund Management Ltd | Responsible Entity | 472 | 0.32 | 472 | - | 22 |
| MacarthurCook Diversified Property Income Fund | Related Fund | 2,113 | 1.43 | 820 | - | 167 |
| Mr. Richard M Haddock | Director | 115 | 0.08 | 11 | - | 11 |
| Mr. Craig M Dunstan | Director | 21 | 0.01 | 1 | - | 2 |
| Mr. A. Hugh Gurner | Director | 65 | 0.04 | 26 | - | 4 |
| | | 2,786 | 1.88 | 1,330 | 472 | 228 |

**17. Related parties (continued)**

**30 June 2006**

| Entity | Relationship | Unit holding ('000) | Interest held % | Units issued ('000) | Units Redeemed ('000) | Distribution paid/payable $ '000 |
|---|---|---|---|---|---|---|
| Arc Funds Management Ltd | MacarthurCook Group Responsible Entity | 472 | 0.39 | 472 | - | - |
| MacarthurCook Fund Management Ltd | Responsible Entity | - | - | 322 | 472 | 31 |
| MacarthurCook Diversified Property Income Fund | Related Fund | 1,293 | 1.06 | 1,196 | - | 41 |
| Mr. Richard M Haddock | Director | 104 | 0.08 | 39 | - | 7 |
| Mr. Craig M Dunstan | Director | 20 | 0.02 | 18 | - | 1 |
| Mr. A. Hugh Gurner | Director | 39 | 0.03 | 39 | - | 1 |
| | | 1,928 | 1.58 | 2,086 | 472 | 81 |

At 30 June 2007, the Responsible Entity also holds 1,752,605 Deferred Units (2006: 1,752,605) paid to $0.00001 cent. A Deferred Unit carries no voting rights and no right to participate in any distribution from the Fund until it converts to an Ordinary Unit. The Deferred Units will only convert into Ordinary Units on the terms set out in the Fund's Constitution. Performance fees are paid to the Responsible Entity by converting a number of Deferred Units into Ordinary Units. Performance fees are detailed in Note 3(g).

**Put and call option**

On 29 June 2006, the Fund granted a put option to the holder of Vendor Units in the MacarthurCook Office Property Trust. The Vendor Units were acquired by the holder as a result of a transaction that enabled the MacarthurCook Office Property Trust to acquire a property in Canberra from the holder.

The put option would require the Fund to purchase up to 14 million Vendor Units in the MacarthurCook Office Property Trust at $1 per Unit if the vendor exercises their option after 29 June 2008.

In addition, the holder of the Vendor Units in the MacarthurCook Office Property Trust has granted the Fund a first right of refusal for up to 14 million Vendor Units in the MacarthurCook Office Property Trust. The fair value of these options is not material to the Financial Statements.

In consideration for entering this arrangement, the Fund received an arm's length underwriting fee of $70,000 from the MacarthurCook Office Property Trust.

At the date of this report, there were 6.475 million Vendor Units outstanding held by four Unitholders. The current Vendor Unitholders acquired the Units from the original Vendor.

## 18. Financial instruments

The following disclosures in relation to the various risks of the Fund's portfolio have been based on the Fund's direct holdings. The Fund’s investment portfolio is comprised of listed and unlisted equity investments, and investments in other funds that it intends to hold for an indefinite period of time.

The Fund’s investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk.

Asset allocation is determined by the Fund’s investment manager who manages the investment of the assets to achieve the Fund’s objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund’s investment manager.

### *(a) Market risk*

Market risk embodies the potential for both loss and gains and includes price risk, currency risk and interest rate risk.

The Fund’s strategy on the management of investment risk is driven by the Fund’s investment objective. The Fund’s market risk is managed on a daily basis by the investment manager in accordance with the investment guidelines as outlined in the Fund’s initial product disclosure statement.

*Price risk*

Price risk is the risk that the value of the Fund’s investment portfolio will fluctuate as a result of changes in market prices. As the majority of the Fund’s financial instruments are carried at fair value with fair value changes recognised in the Income Statement, all changes in market conditions will directly affect net investment income. This risk is managed by ensuring that all activities are transacted in accordance with the Fund’s investment policy and within approved limits.

*Currency risk*

The Fund’s assets and liabilities are denominated in Australian dollars. As at 30 June 2007, the Fund had investments representing 25% (2006: 19 %) of the value of the Fund’s portfolio invested in overseas assets. Whilst the Fund itself has only Australian dollar denominated investments, there may be some potential impact on the returns of the Fund based upon the effectiveness of the currency hedging strategies employed by the managers of those funds that own overseas assets.

*Interest rate risk*

The Fund's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

| 2007 | Note | Weighted average interest rate % | Floating interest rate $ '000 | Non-interest bearing $ '000 | Total $ '000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 8 | 5.66 | 3,121 | - | 3,121 |
| Prepaid interest | | | - | 14 | 14 |
| Receivables | 9 | | - | 4,518 | 4,518 |
| Investments | 10 | | - | 227,515 | 227,515 |
| | | | 3,121 | 232,047 | 235,168 |
| **Financial liabilities** | | | | | |
| Payables | 11 | | - | 1,796 | 1,796 |
| Distributions payable | 6 | | - | 3,456 | 3,456 |
| Interest bearing liabilities | 12 | 6.96 | 68,000 | - | 68,000 |
| | | | 68,000 | 5,252 | 73,252 |

| 2006 | Note | Weighted average interest rate % | Floating interest rate $ '000 | Non-interest bearing $ '000 | Total $ '000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 8 | 5.00 | 699 | - | 699 |
| Receivables | 9 | | - | 4,073 | 4,073 |
| Investments | 10 | | - | 166,804 | 166,804 |
| | | | 699 | 170,877 | 171,576 |
| **Financial liabilities** | | | | | |
| Payables | 11 | | - | 6,081 | 6,081 |
| Distributions payable | 6 | | - | 4,112 | 4,112 |
| Interest bearing liabilities | 12 | 6.90 | 42,200 | - | 42,200 |
| | | | 42,200 | 10,193 | 52,393 |

***(b) Liquidity risk***

The Fund's unlisted property securities are considered to be long-term investments which have a variety of investment terms ranging from one to six years. These investments are not readily realisable other than at the redemption dates of the relevant fund.

The Fund's listed property securities are considered to be readily realisable as they are all listed on the Australian Stock Exchange.

***(c) Credit risk***

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market. The total credit risk is therefore limited to the amount carried on the balance sheet.

The Fund minimises credit risk by undertaking transactions with a large number of customers and ensuring that counterparties are either recognised and reputable or are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

## 19. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial period and the date of this Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund.

# DIRECTORS' DECLARATION
**for the year ended 30 June 2007**

In the opinion of the Directors of MacarthurCook Fund Management Limited, the Responsible Entity of MacarthurCook Property Securities Fund ("the Fund"):

(a) the Financial Statements and Notes set out on pages 10 to 33 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the Fund as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 2 (a); and

(c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity, MacarthurCook Fund Management Limited.

Richard M Haddock
Chairman
MacarthurCook Fund Management Limited
Melbourne
30 August 2007

KPMG

## Independent auditor's report to the Unitholders of MacarthurCook Property Securities Fund

### Report on the financial report

We have audited the accompanying financial report of MacarthurCook Property Securities Fund (the Fund), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flows statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 19 and the directors' declaration set out on page 34.

*Directors' responsibility for the financial report*

The directors of MacarthurCook Fund management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's responsibility*

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

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

KPMG

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards including the Australia Accounting Interpretations so as to present a view which is consistent with our understanding of the Fund's financial position, and of its performance.

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

*Auditor's opinion*

In our opinion:

(a) the financial report of MacarthurCook Property Securities Fund is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the Fund's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

KPMG

KPMG

A Waters

Andrea Waters
*Partner*

Melbourne

30 August 2007