This financial report covers Macquarie Australian Diversified Income (High Grade) Fund as an individual entity.

The Responsible Entity of Macquarie Australian Diversified Income (High Grade) Fund is Macquarie Investment Management Australia Limited (ABN 55 092 552 611). The Responsible Entity's registered office is No. 50 Martin Place, Sydney, NSW 2000.
Macquarie Australian Diversified Income (High Grade) Fund

Directors' Report
30 June 2016

The directors of Macquarie Investment Management Australia Limited ("MIMAL"), a wholly owned subsidiary of Macquarie Group Limited, the Responsible Entity of Macquarie Australian Diversified Income (High Grade) Fund, present their report together with the financial report of Macquarie Australian Diversified Income (High Grade) Fund (the "Trust") for the year ended 30 June 2016.

Principal activities

The Trust invests in unlisted unit trusts, debt securities and derivatives in accordance with the Trust Constitution.

The Trust did not have any employees during the year.

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

Directors

The following persons held office as directors of Macquarie Investment Management Limited ("MIML") from 1 July 2015 to 31 March 2016:

H Brown
M Davis (appointed 01/11/2015)
J Edstein
I Miller

On 1 April 2016, MIML retired as Responsible Entity and MIMAL was appointed as Responsible Entity of the Trust. The following persons held office as directors of MIMAL from 1 April 2016 to the date of this report:

M Aubrey
B Lewthwaite
G Stephens
B Terry

Review and results of operations

Results

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before finance costs attributable to unitholders ($'000)</td>
<td>3,417</td>
<td>7,597</td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution paid and payable ($'000)</td>
<td>4,236</td>
<td>9,508</td>
</tr>
<tr>
<td>Distribution (cents per unit)</td>
<td>2.90</td>
<td>4.46</td>
</tr>
</tbody>
</table>
Significant changes in state of affairs

On 1 July 2015, MIML executed business transfer deeds transferring the economic risks and rewards of its Macquarie Investment Management business to MIMAL and Macquarie Investment Management Global Limited ("MIMGL"). On 1 April 2016, MIML retired as Responsible Entity and Investment Manager of the Trust and MIMAL and MIMGL were appointed as Responsible Entity and Investment Manager of the Trust respectively.

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.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:
(i) the operations of the Trust in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

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

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

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

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Trust. Under the Trust Constitution, the Responsible Entity of the Trust is entitled to be indemnified out of the assets of the Trust for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Trust.

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

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

No fees were paid out of Trust property to the directors of the Responsible Entity during the year (2015: Nil).

The number of interests in the Trust held by the Responsible Entity, its directors or its associates as at the end of the financial year are disclosed in note 9 of the financial statements.
Interests in the Trust

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

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission, relating to the “rounding off” of amounts in the directors’ report and financial report, amounts in the directors’ report and financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor’s independence declaration

A copy of the Auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

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

Director: ............................................................................
G Stephens

Sydney

16 September 2016
Auditor’s Independence Declaration to the Directors of Macquarie Investment Management Australia Limited

As lead auditor for the audit of Macquarie Australian Diversified Income (High Grade) Fund for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Darren Handley-Greaves
Partner
16 September 2016
Macquarie Australian Diversified Income (High Grade) Fund

Statement of Comprehensive Income
For the Year Ended 30 June 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016 $'000</th>
<th>2015 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>57</td>
<td>159</td>
</tr>
<tr>
<td>Distribution income</td>
<td>3,243</td>
<td>7,560</td>
</tr>
<tr>
<td>Net gains on financial instruments held at fair value through profit or loss</td>
<td>244</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total net investment income</strong></td>
<td>3,544</td>
<td>7,793</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible Entity fees (net of rebates)</td>
<td>(116)</td>
<td>(179)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(11)</td>
<td>(17)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(127)</td>
<td>(196)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>3,417</td>
<td>7,597</td>
</tr>
<tr>
<td><strong>Finance costs attributable to unitholders</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions to unitholders</td>
<td>(4,236)</td>
<td>(9,508)</td>
</tr>
<tr>
<td>Decrease in net assets attributable to unitholders</td>
<td>819</td>
<td>1,911</td>
</tr>
<tr>
<td><strong>Profit/(loss) for the year</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.
Macquarie Australian Diversified Income (High Grade) Fund

Statement of Financial Position
As at 30 June 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016 $'000</th>
<th>2015 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7</td>
<td>2,404</td>
</tr>
<tr>
<td>Margin accounts</td>
<td></td>
<td>53</td>
</tr>
<tr>
<td>Interest/coupons receivable</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Other receivables</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Financial assets held at fair value through profit or loss</td>
<td>8</td>
<td>140,261</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>142,727</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions payable</td>
<td></td>
<td>249</td>
</tr>
<tr>
<td>Responsible Entity fees payable (net of rebates)</td>
<td>9</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total liabilities (excluding net assets attributable to unitholders)</strong></td>
<td></td>
<td>274</td>
</tr>
<tr>
<td><strong>Net assets attributable to unitholders - liability</strong></td>
<td>6</td>
<td>142,453</td>
</tr>
</tbody>
</table>

The above statement of financial position should be read in conjunction with the accompanying notes.
Macquarie Australian Diversified Income (High Grade) Fund

Statement of Changes in Equity
For the Year Ended 30 June 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity at the beginning of the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions with owners in their capacity as owners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity at the end of the year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

The above statement of changes in equity should be read in conjunction with the accompanying notes.
## Macquarie Australian Diversified Income (High Grade) Fund

### Statement of Cash Flows
For the Year Ended 30 June 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of financial instruments held at fair value through profit or loss</td>
<td>91,618</td>
<td>154,081</td>
</tr>
<tr>
<td>Purchase of financial instruments held at fair value through profit or loss</td>
<td>(40,597)</td>
<td>(47,823)</td>
</tr>
<tr>
<td>Interest/coupons received</td>
<td>1,064</td>
<td>2,069</td>
</tr>
<tr>
<td>Responsible Entity fees paid (net of rebates)</td>
<td>(128)</td>
<td>(197)</td>
</tr>
<tr>
<td>Payment of other expenses</td>
<td>(11)</td>
<td>(17)</td>
</tr>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
<td>10(a)</td>
<td>51,946</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from applications by unitholders</td>
<td>41,950</td>
<td>90,540</td>
</tr>
<tr>
<td>Payments for redemptions by unitholders</td>
<td>(91,118)</td>
<td>(206,055)</td>
</tr>
<tr>
<td>Distributions paid</td>
<td>(1,016)</td>
<td>(2,576)</td>
</tr>
<tr>
<td><strong>Net cash outflow from financing activities</strong></td>
<td>(50,184)</td>
<td>(118,091)</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>1,762</td>
<td>(9,978)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>642</td>
<td>10,620</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td>7</td>
<td>2,404</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-cash financing activities</td>
<td>10(b)</td>
<td>3,410</td>
</tr>
</tbody>
</table>

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

This financial report covers Macquarie Australian Diversified Income (High Grade) Fund (the "Trust") as an individual entity. The Trust was constituted on 29 May 2003. The Trust is a registered managed investment scheme domiciled in Australia.

For the period from 1 July 2015 to 31 March 2016, the Responsible Entity of the Trust was Macquarie Investment Management Limited (the "Responsible Entity"). The Responsible Entity’s registered office is No. 50 Martin Place, Sydney, NSW 2000. The financial report is presented in Australian dollars.

For the period from 1 July 2015 to 31 March 2016, the Investment Manager of the Trust was Macquarie Investment Management Limited (the "Investment Manager").

On 1 July 2015, Macquarie Investment Management Limited ("MIML") executed business transfer deeds transferring the economic risks and rewards of its Macquarie Investment Management business to Macquarie Investment Management Australia Limited ("MIMAL") and Macquarie Investment Management Global Limited ("MIMGL"). On 1 April 2016, MIML retired as Responsible Entity and Investment Manager of the Trust and MIMAL (the "Responsible Entity") and MIMGL (the "Investment Manager") were appointed as Responsible Entity and Investment Manager of the Trust respectively. The Responsible Entity’s registered office is No. 50 Martin Place, Sydney, NSW 2000. MIMGL has delegated certain investment functions to Macquarie Bank International Limited ("MBIL").

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

The financial statements were authorised for issue by the directors on 16 September 2016. The directors of the Responsible Entity have the power to amend and reissue the financial report.

2 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 in Australia.

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

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

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

Compliance with International Financial Reporting Standards

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

The Trust's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

  These include derivative financial instruments such as futures. The Trust does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

  These include financial assets that are not held for trading purposes and which may be sold. These include investments in unlisted unit trusts and debt securities.

  Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Trust's documented investment strategy. The Trust's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Loans and receivables comprise amounts due to the Trust.

(ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cashflows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) Measurement

(a) Financial assets and financial liabilities held at fair value through profit or loss

Financial assets and financial liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

- Fair value in an active market

The fair value of financial assets and financial liabilities traded in active markets is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.
Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

(a) Financial assets and financial liabilities held at fair value through profit or loss (continued)

- Fair value in an inactive or unquoted market

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

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

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Trust would receive or pay to terminate the contract at the statement of financial position date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.

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

(b) Loans and receivables

Loans and receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest method, less impairment losses if any. Such assets are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment.

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

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

(b) Financial instruments (continued)

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to offset the recognised amounts at all times and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Trust at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the statement of financial position date if unitholders exercised their right to put the units back to the Trust.

(d) Cash and cash equivalents

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

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

(e) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

(f) Investment income

Interest income is recognised in the statement of comprehensive income using the effective interest method for all financial instruments that are not held at fair value through profit or loss. Interest income on assets held at fair value through profit or loss is included in the net gains on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where applicable, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Distributions from trusts are recognised on an entitlements basis.

Rebate income is recognised in the statement of comprehensive income on an accruals basis.
2 Summary of significant accounting policies (continued)

(g) Expenses

All expenses, including Responsible Entity fees, are recognised in the statement of comprehensive income on an accruals basis.

(h) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The Trust may incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

The benefits of imputation credits and tax paid are generally passed on to unitholders.

(i) Distributions

In accordance with the Trust Constitution, the Trust fully distributes its distributable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions to unitholders are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(j) Movement in net assets attributable to unitholders

Income and expenses that are not included in distributable income and not distributed to unitholders are included in net assets attributable to unitholders. Unrealised gains and losses on financial instruments are included in net assets attributable to unitholders as they are not distributed to unitholders until realised. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(k) Receivables

Receivables include assets and accrued income owing to the Trust which have not been received at year end and may include such items as interest, distribution and Reduced Input Tax Credits ("RiTC").

Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(f) above. Distribution income is accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.
2  Summary of significant accounting policies (continued)

(l)  Payables

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at year end.

The distribution amount payable to unitholders as at year end is recognised separately in the statement of financial position as unitholders are presently entitled to the distributable income under the Trust Constitution.

(m)  Applications and redemptions

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

(n)  Goods and Services Tax ("GST")

The GST incurred on the costs of various services provided to the Trust by third parties such as Responsible Entity fees have been passed onto the Trust. The Trust qualifies for RITC hence Responsible Entity fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included as cash flows from operating activities in the statement of cash flows on a gross basis.

(o)  Use of estimates

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

Certain financial instruments, for example, over-the-counter derivatives and unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data to the extent practicable. However, inputs such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these inputs could affect the reported fair value of financial instruments.

For certain other financial instruments, including accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.
2 Summary of significant accounting policies (continued)

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The Responsible Entity’s assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments - Part C and related amendment AASB 2010-7 and AASB 2014-1 Amendments to Accounting Standards

AASB 9 Financial Instruments applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Trust from 1 July 2018.

AASB 9 Financial Instruments requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met. The application of the standard is not expected to change the measurement basis of any of the Trust’s current financial instruments, however, AASB 9 Financial Instruments allows the Trust to elect to present gains and losses on financial instruments held at fair value through other comprehensive income, which may impact the presentation of these gains and losses. The impact of the standard may also change if the nature of the Trust’s activities or investments changes prior to initial application.

The Trust is continuing to assess the full impact of adopting AASB 9 Financial Instruments.

(ii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: AASB 101 Presentation of Financial Statements

These amendments clarify the materiality requirements in AASB 101. These amendments also clarify that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated and that the entities have flexibility as to the order in which they present the notes to financial statements. These amendments are not expected to impact the Trust’s financial position or performance and become effective for annual periods beginning on or after 1 January 2016 and will therefore apply to the Trust from 1 July 2016.

The Trust does not intend to early adopt AASB 2015-2 as permitted by the standard. Management does not expect these amendments will have a significant effect on the financial position, performance or financial report disclosures of the Trust.

(iii) AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

AASB 2015-5 introduces a choice in application of the equity method by a non-investment entity investor to an investment entity investee. When a non-investment entity investor applies the equity method to an investment entity associate or joint venture, the investor may retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries, or reverse the fair value measurement to conform to the accounting policies of the investor.

AASB 2015-5 is effective for annual reporting periods beginning on or after 1 January 2016.

As the Trust does not have any subsidiary investments, the application of this standard has no impact on the financial position nor performance of the Trust.

Standards and interpretations that are not expected to have material impact on the Trust have not been included.
Macquarie Australian Diversified Income (High Grade) Fund

Notes to the Financial Statements
For the Year Ended 30 June 2016

2 Summary of significant accounting policies (continued)

(q) Rounding of amounts

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors’ report and financial report, amounts in the directors’ report and financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3 Financial risk management

(a) Strategy in using financial instruments

The Trust’s activities expose it to a variety of financial risks: market risk (which may include price risk, foreign exchange risk and interest rate and credit spread risk), credit risk and liquidity risk.

The Responsible Entity’s overall risk management programme focuses on ensuring compliance with the Trust’s investment guidelines and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. The Trust uses derivatives and other instruments for trading purposes and in connection with its risk management activities.

The Trust may use derivative financial instruments to gain or reduce market exposure in the portfolio.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceed the underlying value of the Trust.

Financial risk management is monitored by the Responsible Entity's risk management department under policies approved by the Responsible Entity's senior managers or by the board of directors of the Responsible Entity (the "Board").

The Responsible Entity reviews any identified high and medium severity exceptions to internal risk policies and procedures on a quarterly basis.

(b) Market risk

(i) Price risk

The Trust trades in financial instruments such as unlisted unit trusts, debt securities and exchange traded instruments, such as derivatives.

Price risk for the Trust’s debt securities and derivatives is a function of foreign exchange risk, interest rate and credit spread risk, credit risk and liquidity risk.

All securities investments present a risk of loss of capital. The Responsible Entity manages this risk through a careful selection of securities and other financial instruments within specified limits. The Trust's positions are monitored on a daily basis by the Responsible Entity.

The Trust's unlisted unit trusts are susceptible to market price risk arising from uncertainties about future prices of the underlying trusts.
3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

At 30 June 2016, the Trust's market risk is affected by changes in market prices. If the exposure of financial assets and financial liabilities at 30 June 2016 had increased by 0.25% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately $282,837 (2015: 0.25%; $369,892). Conversely, if the exposure of financial assets and financial liabilities at 30 June 2016 had decreased by 0.25% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately $282,837 (2015: 0.25%; $369,892).

(ii) Foreign exchange risk

The Trust is not exposed to foreign exchange risk as all assets and liabilities are denominated in Australian dollars.

(iii) Interest rate and credit spread risk

The Trust is subject to interest rate and credit spread risk due to fluctuations in the prevailing levels of market interest rates and credit spreads. Any excess cash and cash equivalents are invested at short-term market interest rates.

Interest rate and credit spread risk is managed by:

- only allowing investments into certain instrument types
- ensuring the Trust is tracking the benchmark within permitted ranges
- limiting the term of interest rate securities
- monitoring target interest rate durations.

The Trust's financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates and credit spreads on its financial position and cash flow.
3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate and credit spread risk (continued)

The table below demonstrates the sensitivity of the Trust's profit/(loss) for the year to a reasonably possible change in interest rates and credit spreads, with all other variables held constant. The sensitivity of the profit/(loss) for the year is the effect of the assumed changes in interest rates on net interest income for the year based on the floating rate financial assets at year end and changes in fair value of investments for the year based on revaluing fixed rate financial assets at year end.

In practice, the actual results may differ from the below sensitivity analysis and the difference could be significant.

<table>
<thead>
<tr>
<th></th>
<th>Change in basis points</th>
<th>Sensitivity of interest income</th>
<th>Sensitivity of changes in fair value of investments relating to a change in interest rates</th>
<th>Sensitivity of changes in fair value of investments relating to a change in credit spreads</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase/ (decrease)</td>
<td>Increase/ (decrease)</td>
<td>(Decrease)/ increase</td>
<td>(Decrease)/ increase</td>
</tr>
<tr>
<td>30 June 2016</td>
<td>25/(25)</td>
<td>74/(74)</td>
<td>49/49</td>
<td>683/683</td>
</tr>
<tr>
<td>30 June 2015</td>
<td>25/(25)</td>
<td>104/(104)</td>
<td>85/85</td>
<td>860/860</td>
</tr>
</tbody>
</table>

(c) Credit risk

Credit risk arises from the Trust's investment in debt securities.

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

Credit risk is managed by:

- managing its exposures to issuers, deposit taking institutions, brokers and other counterparties
- maintaining an approved broker and counterparty panel

The exposure to credit risk for cash and cash equivalents and deposits with banks and other financial institutions is low as all counterparties generally have a rating of at least A- (2015: BBB+) as determined by Standard and Poor's rating agency.

In accordance with the Trust’s policy, the Responsible Entity's risk management department monitors the Trust's credit exposure on a daily basis.
3 Financial risk management (continued)

(c) Credit risk (continued)

The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and other financial assets. An analysis of debt securities by credit rating is set out in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>S&amp;P long term ratings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAA</td>
<td>27,126</td>
<td>40,864</td>
</tr>
<tr>
<td>Total S&amp;P long term ratings</td>
<td>27,126</td>
<td>40,864</td>
</tr>
<tr>
<td>Total debt securities</td>
<td>27,126</td>
<td>40,864</td>
</tr>
</tbody>
</table>

(d) Liquidity risk

The Trust is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that can be generally liquidated within a short period of time.

The investments of the Trust may become illiquid. As a result, the Trust may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value, or at all, to meet its liquidity requirements. No such investments were held at the statement of financial position date.

Liquidity risk is managed by:

- restricting the use of borrowing in order to ensure the fund has no debt obligations which may compromise solvency
- managing the exposure to less liquid securities.

Redeemable units are redeemed at the request of unitholders subject to the Trust's offer document and Trust Constitution (as applicable). All other liabilities are payable within 30 days.

(e) Fair value estimation

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3 Financial risk management (continued)

(e) Fair value estimation (continued)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

The following table analyses within the fair value hierarchy the Trust's financial assets and financial liabilities (by class) measured at fair value.

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30 June 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets held for trading:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Derivatives</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss at inception:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Unlisted unit trusts</td>
<td>-</td>
<td>113,135</td>
<td>-</td>
<td>113,135</td>
</tr>
<tr>
<td>- Debt securities</td>
<td>-</td>
<td>27,125</td>
<td>-</td>
<td>27,125</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>1</td>
<td>140,260</td>
<td>-</td>
<td>140,261</td>
</tr>
<tr>
<td><strong>30 June 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets held for trading:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Derivatives</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss at inception:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Unlisted unit trusts</td>
<td>-</td>
<td>147,957</td>
<td>-</td>
<td>147,957</td>
</tr>
<tr>
<td>- Debt securities</td>
<td>-</td>
<td>40,864</td>
<td>-</td>
<td>40,864</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>2</td>
<td>188,821</td>
<td>-</td>
<td>188,823</td>
</tr>
</tbody>
</table>
3 Financial risk management (continued)

(e) Fair value estimation (continued)

During the year, there were no transfers between level 1 and 2 or into/out of level 3 (2015: Nil).

The fair value of publicly traded derivatives is based on quoted market prices or binding dealer price quotations at the reporting date (bid price for long positions and ask price for short positions) and have therefore been classified as level 1 in the fair value hierarchy.

For debt securities, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models. These financial instruments have therefore been classified as level 2 in the fair value hierarchy.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted unit trusts valued at the redemption value per unit, as reported by the managers of such trusts.

(f) Offsetting financial instruments

Financial assets and financial liabilities are presented net in the statement of financial position where the Trust currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Trust currently does not have a legally enforceable right to set off the recognised financial assets and financial liabilities amounts and there is no intention to settle on a net basis or realise the asset and settle the liability simultaneously. All financial instruments are currently reported on a gross basis in the statement of financial position.

4 Auditor's remuneration

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ernst &amp; Young Australian firm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit of financial reports</td>
<td>5,806</td>
<td>5,583</td>
</tr>
<tr>
<td>Other audit work under the Corporations Act 2001</td>
<td>454</td>
<td>363</td>
</tr>
<tr>
<td>Total remuneration for audit services</td>
<td>6,260</td>
<td>5,946</td>
</tr>
</tbody>
</table>

Audit fees are paid out of the Responsible Entity's own resources.
Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial instruments held at fair value through profit or loss:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gains on financial instruments held for trading</td>
<td>45</td>
<td>10</td>
</tr>
<tr>
<td>Net losses on financial instruments designated as at fair value through profit or loss</td>
<td>(786)</td>
<td>(1,782)</td>
</tr>
<tr>
<td>Interest income on financial instruments held at fair value through profit or loss</td>
<td>985</td>
<td>1,846</td>
</tr>
<tr>
<td><strong>Net gains on financial instruments held at fair value through profit or loss</strong></td>
<td><strong>244</strong></td>
<td><strong>74</strong></td>
</tr>
</tbody>
</table>

Net assets attributable to unitholders

As stipulated within the Trust Constitution, each unit represents an undivided share in the beneficial interest in the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

Movements in number of units and net assets attributable to unitholders during the year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. '000</td>
<td>No. '000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Opening balance</td>
<td>183,799</td>
<td>287,917</td>
<td>189,030</td>
<td>299,236</td>
</tr>
<tr>
<td>Applications</td>
<td>40,717</td>
<td>87,002</td>
<td>41,950</td>
<td>90,540</td>
</tr>
<tr>
<td>Redemptions</td>
<td>(88,543)</td>
<td>(198,099)</td>
<td>(91,118)</td>
<td>(206,055)</td>
</tr>
<tr>
<td>Units issued upon reinvestment of distributions</td>
<td>3,324</td>
<td>6,979</td>
<td>3,410</td>
<td>7,220</td>
</tr>
<tr>
<td>Decrease in net assets attributable to unitholders</td>
<td>-</td>
<td>-</td>
<td>(819)</td>
<td>(1,911)</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td>139,297</td>
<td>183,799</td>
<td>142,453</td>
<td>189,030</td>
</tr>
</tbody>
</table>

Capital risk management

The Trust manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Trust is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the impact of applications and redemptions relative to the liquid assets in the Trust.
Macquarie Australian Diversified Income (High Grade) Fund

Notes to the Financial Statements
For the Year Ended 30 June 2016

7 Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>41</td>
<td>56</td>
</tr>
<tr>
<td>Deposits at call</td>
<td>2,363</td>
<td>586</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td><strong>2,404</strong></td>
<td><strong>642</strong></td>
</tr>
</tbody>
</table>

8 Financial assets held at fair value through profit or loss

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair value</td>
<td>Fair value</td>
</tr>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

**Held for trading**
- Derivatives
  - 2016: 1
  - 2015: 2
- Total held for trading
  - 2016: 1
  - 2015: 2

**Designated at fair value through profit or loss**
- Unlisted unit trusts
  - 2016: 113,135
  - 2015: 147,957
- Debt securities
  - 2016: 27,125
  - 2015: 40,864
- Total designated at fair value through profit or loss
  - 2016: 140,260
  - 2015: 188,821

**Total financial assets held at fair value through profit or loss**
- 2016: 140,261
- 2015: 188,823

Comprising:
- **Derivatives**
  - Bond futures
    - 2016: 1
    - 2015: 2
  - Total derivatives
    - 2016: 1
    - 2015: 2

- **Unlisted unit trusts**
  - Units in Australian fixed interest trusts
    - 2016: 113,135
    - 2015: 147,957
  - Total unlisted unit trusts
    - 2016: 113,135
    - 2015: 147,957

- **Debt securities**
  - Collateralised mortgage obligations
    - 2016: 27,125
    - 2015: 40,864
  - Total debt securities
    - 2016: 27,125
    - 2015: 40,864

**Total financial assets held at fair value through profit or loss**
- 2016: 140,261
- 2015: 188,823

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3.
9 Related party disclosures

(a) Responsible Entity

For the period from 1 July 2015 to 31 March 2016, the Responsible Entity of Macquarie Australian Diversified Income (High Grade) Fund was MIML, a wholly owned subsidiary of Macquarie Group Limited (“MGL”). On 1 April 2016, MIML retired as Responsible Entity and MIMAL, a wholly owned subsidiary of MGL, was appointed as Responsible Entity of the Trust.

(b) Investment Manager

For the period from 1 July 2015 to 31 March 2016, the Investment Manager of Macquarie Australian Diversified Income (High Grade) Fund was MIML. On 1 April 2016, MIML retired as Investment Manager and MIMGL, a wholly owned subsidiary of MGL, was appointed as Investment Manager of the Trust.

(c) Key management personnel

The following persons held office as directors of MIML from 1 July 2015 to 31 March 2016:

H Brown
M Davis (appointed 01/11/2015)
J Edstein
I Miller

The following persons held office as directors of MIMAL from 1 April 2016 to the date of this report:

M Aubrey
B Lewthwaite
G Stephens
B Terry

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

(d) Key management personnel unitholdings

No key management personnel held units in the Trust at any time during the year (2015: Nil).

(e) Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period (2015: Nil).

(f) Responsible Entity fees and other transactions

For the year ended 30 June 2016, in accordance with the Trust Constitution, the Responsible Entity received a total fee of 0.31% of net asset value (inclusive of GST, net of RITC available to the Trust) per annum (2015: 0.31%).

All expenses in connection with the preparation of accounting records and the maintenance of the unit register have been fully borne by the Responsible Entity.
9  Related party disclosures (continued)

(f)  Responsible Entity fees and other transactions (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trust and the Responsible Entity were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management fees charged to the Trust by the Responsible Entity</td>
<td>(490,562)</td>
<td>(731,970)</td>
</tr>
<tr>
<td>Rebate of management fees from the Responsible Entity*</td>
<td>374,605</td>
<td>552,635</td>
</tr>
<tr>
<td>Management fees payable by the Trust to the Responsible Entity at the reporting date</td>
<td>115,187</td>
<td>158,046</td>
</tr>
<tr>
<td>Rebate of management fees receivable from the Responsible Entity at the reporting date*</td>
<td>90,018</td>
<td>121,002</td>
</tr>
</tbody>
</table>

* The Responsible Entity rebates management fees charged by other schemes managed by the Responsible Entity where the Trust invests in those schemes.

(g)  Related party schemes’ unitholdings

Parties related to the Trust (including MIML, MIMAL, their affiliates and other schemes managed by MIML and MIMAL) held no units in the Trust (2015: Nil).

(h)  Investments

The Trust held investments in the following scheme which is also managed by MIML, MIMAL or their related parties:

<table>
<thead>
<tr>
<th>Fair value of investment</th>
<th>Interest held</th>
<th>Distribution income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Macquarie Australian</td>
<td>113,134,644</td>
<td>147,956,847</td>
</tr>
<tr>
<td>Diversified Income Fund</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There are no distributions receivable from the underlying scheme as at 30 June 2016 (2015: Nil).

There are no amounts due from the underlying scheme in respect of the units redeemed as at 30 June 2016 (2015: Nil).

(i)  Other transactions within the Trust

From time to time, the Trust may purchase or sell securities from/to other schemes managed by MIML and MIMAL at the prevailing market rates.

Apart from those details disclosed in this note, no directors of the Responsible Entity have entered into a material contract with the Trust since the end of the previous financial year and there were no material contracts involving directors’ interests subsisting at year end.
Macquarie Australian Diversified Income (High Grade) Fund

Notes to the Financial Statements
For the Year Ended 30 June 2016

9 Related party disclosures (continued)

(i) Other transactions within the Trust (continued)

The Trust may hold bank accounts with Macquarie Bank Limited ("MBL"), a wholly owned subsidiary of MGL. The Trust may use Macquarie Securities (Australia) Limited, MBL or other wholly owned subsidiaries of MGL for broking and clearing services respectively. Fees and expenses are negotiated on an arm's length basis for all transactions with related parties.

MIMGL has delegated certain investment functions to MBIL, a wholly owned subsidiary of MGL.

Bond Street Custodians Limited, a wholly owned subsidiary of MGL, is a custodian of the Trust.

The Trust held futures, with MBL as counterparty, with the fair value at 30 June 2016 of $756 (2015: $1,945)

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

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(loss) for the year</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Decrease in net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>attributable to unitholders</td>
<td>(819)</td>
<td>(1,911)</td>
</tr>
<tr>
<td>Distributions reinvested</td>
<td>(3,243)</td>
<td>(7,560)</td>
</tr>
<tr>
<td>Net gains on financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>held at fair value through profit or</td>
<td>(244)</td>
<td>(74)</td>
</tr>
<tr>
<td>loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>instruments held at fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>through profit or loss</td>
<td>91,618</td>
<td>154,081</td>
</tr>
<tr>
<td>Purchase of financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>held at fair value through profit or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>loss</td>
<td>(40,597)</td>
<td>(47,823)</td>
</tr>
<tr>
<td>Distributions to unitholders</td>
<td>4,236</td>
<td>9,508</td>
</tr>
<tr>
<td>Movement in amortised interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>on financial instruments held at</td>
<td></td>
<td></td>
</tr>
<tr>
<td>fair value through profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in receivables and other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Net change in payables and other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>liabilities</td>
<td>(12)</td>
<td>(19)</td>
</tr>
<tr>
<td>**Net cash inflow from operating</td>
<td>51,946</td>
<td>108,113</td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10 Reconciliation of profit/(loss) to net cash inflow from operating activities (continued)

(b) Non-cash financing activities

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinvestment of unitholder distributions</td>
<td>3,410</td>
<td>7,220</td>
</tr>
</tbody>
</table>

11 Events occurring after the reporting date

No significant events have occurred since the reporting date which would impact on the financial position of the Trust disclosed in the statement of financial position as at 30 June 2016 or on the results and cash flows of the Trust for the year ended on that date.

12 Contingent assets, contingent liabilities and commitments

There are no outstanding contingent assets, contingent liabilities or commitments as at 30 June 2016 and 30 June 2015.
Macquarie Australian Diversified Income (High Grade) Fund

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes as set out on pages 5 to 27 are in accordance with the Corporations Act 2001, including:

(i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Trust's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

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

Director ..................................................................

G Stephens

Sydney
16 September 2016
Independent auditor's report to the unitholders of Macquarie Australian Diversified Income (High Grade) Fund

We have audited the accompanying financial report of Macquarie Australian Diversified Income (High Grade) Fund ("the Trust"), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

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

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

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

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

Independence
In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor’s Independence Declaration, a copy of which is included in the Directors’ Report.
Opinion

In our opinion:

a. the financial report of Macquarie Australian Diversified Income (High Grade) Fund is in accordance with the Corporations Act 2001, including:
   
i. giving a true and fair view of the Trust’s financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Ernst & Young

Darren Handley-Greaves
Partner
Sydney
16 September 2016