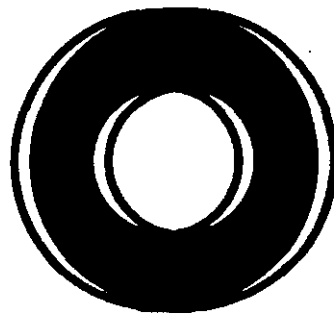


Company Registration Number : 3704031

MACQUARIE EQUITIES (UK) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

**FOR THE YEAR ENDED
31 MARCH 2001**



MACQUARIE



**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001**

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GENERAL INFORMATION

Directors

Mark Bennett
Charles Nelson
Warwick Evans (resigned 19 June 2000)
Robin Hudson (appointed 26 April 2000)
Mark Konda (appointed 26 April 2000)
Stephen Allen (appointed 1 August 2000)

Secretary

Michael Taylor

Registered Office

9th Floor
Alban Gate
125 London Wall
London EC2Y 5AS

Auditors

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Bankers

HSBC Bank Plc
PO Box 181
27-32 Poultry
London EC2P 2BX

Solicitors

Slaughter & May
35 Basinghall Street
London EC2V 5DB

Company number: 3704031

DIRECTORS' REPORT

The directors present their report and accounts for the Company for the year ended 31 March 2001.

REVIEW OF THE BUSINESS

The Company operates as a trader in equities and equity derivatives in the major markets of Europe. While the Company trades as principal with market counterparts, the primary business objective is to source and offer up positions to Macquarie Bank, and any other client. Trading undertaken by the Company is therefore based on client-defined parameters such as volume, price and volatility. Assuming that the traded positions match the defined objectives, the positions are given up to the client for an appropriate commission. Any positions rejected by the clients are retained by the Company as principal. The Company is a member of the London International Financial Futures and Options Exchange, Eurex and regulated by the SFA. In other markets, the Company will continue to trade through intermediaries.

During the year the company established operations in Brazil and also entered an agreement whereby staff are being seconded to a company based in Hong Kong.

RESULTS AND DIVIDENDS

The Company's loss for the year amounts to £199,323 (2000 £Nil). No dividend is proposed.

During the year 500,000 ordinary shares were issued for cash to increase the company's capital. The nominal value and consideration for these shares was £500,000.

DIRECTORS AND THEIR INTERESTS

The directors holding office during the year were as follows:

Mark Bennett
Charles Nelson
Warwick Evans (resigned 19 June 2000)
Robin Hudson (appointed 26 April 2000)
Mark Konda (appointed 26 April 2000)
Stephen Allen (appointed 1 August 2000)

None of the directors had an interest in any material contract with the Company during the year. None of the directors held interests in shares of the Company during the year.

CLOSE COMPANY STATUS

So far as the directors are aware, the Company is not a close company for taxation purposes.

DIRECTORS' REPORT (Continued)

AUDITORS

PricewaterhouseCoopers have been appointed as Auditors.

Pursuant to section 386 of the Companies Act 1985, an elective resolution was passed in June 1995 resolving that the Company dispense with the requirement to appoint auditors annually. PricewaterhouseCoopers will accordingly remain as auditors until the Company decides otherwise in general meeting.

ANNUAL GENERAL MEETING

The Company has dispensed with the obligation to hold an Annual General Meeting, as permitted under section 366A of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. In preparing financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board of Directors
and signed on behalf of the Board



C Nelson
Director
2nd July 2001

AUDITORS' REPORT TO THE MEMBERS OF MACQUARIE EQUITIES (UK) LIMITED

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st March 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
2nd July 2001

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001**

	Notes	2001 £	2000 £
TURNOVER		209,693	-
Administrative expenses		(264,590)	-
OPERATING PROFIT/(LOSS) BEFORE INTEREST AND TAXATION	2	(54,897)	-
Interest receivable and similar income		27,123	
Interest payable and similar charges	3	(22)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(27,796)	-
Tax on profit/(loss) on ordinary activities	5	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		(27,796)	-
ACCUMULATED PROFIT BROUGHT FORWARD		-	-
ACCUMULATED PROFIT/(LOSS) CARRIED FORWARD		(27,796)	-

Turnover and loss on ordinary activities before taxation relate wholly to continuing operations.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

A statement of total recognised gains and losses has not been provided as all gains and losses are dealt with in the profit and loss account.

The notes on pages 7 to 10 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2001

	Notes	2001 £	2000 £
CURRENT ASSETS			
Cash		1,000,000	-
Debtors	6	410,317	500,000
		<u>1,410,317</u>	<u>500,000</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(438,113)	-
NET CURRENT ASSETS		<u>972,204</u>	<u>500,000</u>
CAPITAL AND RESERVES			
Called up share capital	8	1,000,000	500,000
Profit and loss account		(27,796)	-
		<u>972,204</u>	<u>500,000</u>
SHAREHOLDERS' FUNDS	9	<u>972,204</u>	<u>500,000</u>

The notes on pages 7 to 10 form part of these accounts.

These financial statements were approved by the Board of Directors on 2nd July 2001.

Signed on behalf of the Board of Directors



C Nelson
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2001**1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention in accordance with Schedule 4 to the Companies Act 1985 and with applicable accounting standards. The particular policy adopted is described below as follows:

a) Turnover

Turnover includes:

- (i) Realised and unrealised profits and losses arising on securities held for resale less, where appropriate, other direct charges.
- (ii) Gain/losses arising from foreign currency exposure.
- (iii) Amounts relating to staff seconded to other group companies.

b) Foreign exchange

Assets and liabilities in foreign currencies which are not covered by forward exchange contracts have been translated into sterling at the rate ruling at the year end. Exchange profits and losses realised on trading transactions are included in the trading results.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Operating loss is stated after (crediting) / charging:-

	2001	2000
	£	£
Foreign currency (gains)/losses	4,156	-
Staff costs	206,417	-

Auditors' remuneration for the year ended 31 March 2001 is borne by Macquarie Bank Limited, this Company's ultimate parent undertaking.

The average number of persons employed by the Company during the year calculated on a quarterly basis was 1 (2000 nil). This figure will include persons working on behalf of other Legal Entities, aside from Macquarie Equities UK Limited, within the Macquarie Bank Group.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2001 (CONT)

3. INTEREST PAYABLE

	2001	2000
	£	£
Interest payable to ultimate parent undertaking	<u>22</u>	<u>-</u>

4. DIRECTORS' REMUNERATION

All directors of the company are directors of other members of the Macquarie Bank Group and it is considered that an insignificant amount of their time relates to Macquarie Equities (UK) Limited. Accordingly, no separate remuneration has been disclosed and their total emoluments are set out in the consolidated financial statements of Macquarie Bank Limited, copies of which are available as prescribed in note 10.

5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2001	2000
	£	£
UK corporation tax on the result for the year at 30% (2000: 30%)		
- Current	-	-
Under provision in respect of prior years		
- Current	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

6. DEBTORS

	2001	2000
	£	£
Amounts owed by ultimate parent undertaking	198,628	500,000
Other debtors	<u>211,689</u>	<u>-</u>
	<u>410,317</u>	<u>500,000</u>

Amounts owed by ultimate parent undertaking are unsecured, have no fixed date of repayment and are interest free. The Company has the right to charge interest at a future date in respect of the current year.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2001 (Continued)

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Amounts owed to ultimate parent undertaking	330,595	-
Other creditors	107,518	-
	<u>438,113</u>	<u>-</u>

Amounts owed to ultimate parent group undertaking are unsecured, have no fixed date of repayment and are predominately interest free. The ultimate parent undertaking has the right to charge interest at a future date in respect of the current year.

8. SHARE CAPITAL

	2001 £	2000 £
AUTHORISED		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>500,000</u>

During the year 500,000 ordinary shares were issued and allotted for cash. The nominal value and consideration for these shares was £500,000.

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Issue of ordinary share capital	500,000	500,000
Retained Profit/(Loss) for the financial period	(27,796)	-
Opening shareholders' funds	<u>500,000</u>	<u>-</u>
Closing shareholders' funds	<u>972,204</u>	<u>500,000</u>

10. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Macquarie European Holdings Pty Limited.

The ultimate parent undertaking and controlling party of Macquarie Equities (UK) Limited, which is the parent undertaking of the smallest and the largest group to prepare consolidated financial statements, is Macquarie Bank Limited, a company incorporated in Australia. Copies of group accounts for Macquarie Bank Limited can be obtained from the Company Secretary, Level 15, No. 1 Martin Place, Sydney, New South Wales, 2000, Australia.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2001 (Continued)**11. CONTINGENT LIABILITIES**

Macquarie Equities (UK) Limited have no contingent liabilities.

12. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard 8, paragraph 3(c), not to disclose related party transactions with members of the group.

13. CASH FLOW STATEMENT

The company was a wholly owned subsidiary of Macquarie European Holdings PTY Limited throughout the year and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of the Financial Reporting Standard 1 (revised 1996).

14. SUBORDINATED LOAN

On 10th October 2000 Macquarie Bank Limited granted the company a subordinated loan facility for GBP500,000. This facility had not been drawn on at the year end.