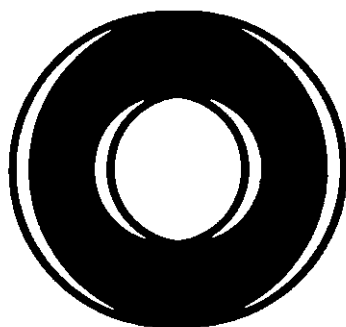


Company Registration Number : 3704031

MACQUARIE EQUITIES (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2003



MACQUARIE



MACQUARIE EQUITIES (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

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MACQUARIE EQUITIES (UK) LIMITED

GENERAL INFORMATION**Directors**

C Nelson
J Roberts
B Preston
A Evans
M Bennett (resigned 14 February 2003)

Secretary

D Walmsley

Registered Office

Level 30
CityPoint
1 Ropemaker Street
London EC2Y 9HD

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Company number: 3704031

MACQUARIE EQUITIES (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for Macquarie Equities (UK) Limited ("the Company") for the year ended 31 March 2003.

REVIEW OF THE BUSINESS

The Company undertakes various business activities including the following:

Enhanced Equities: The Company trades in United Kingdom securities with a view to outperforming the FTSE All Share Index.

Equities Research: The Company provides equity research services to various divisions within the Macquarie Bank Limited group.

Equity Markets: The Company operates as a trader in equities and equity derivatives in the major markets of Europe. The Company manages its risk by entering into countervailing transactions with the market, or by selling its principal positions to its ultimate parent undertaking, Macquarie Bank Limited. However, the Company did not enter into any transactions of this nature during the year. During the year, the Company continued to facilitate the secondment of staff to Brazil entities within the Macquarie Bank Limited group. An agency arrangement whereby the Company seconded staff on behalf of another company within the Macquarie Bank Limited group to an unrelated Japanese financial institution was in place during the year and terminated on 31 March 2003.

Institutional Stockbroking: On 1 April 2002, the institutional stockbroking business previously operating in the London branch of Macquarie Equities Limited commenced operating in the Company. The Company solicits clients and introduces them to Macquarie Equities (Australia) Limited, an Australian subsidiary of Macquarie Bank Limited, being the institutional stockbroking entity of the Macquarie Bank Limited group. On 31 March 2003, the Company acquired the institutional stockbroking business previously operating in the Munich branch of Macquarie Equities Limited. The Company will commence activity in the Munich branch from 1 April 2003.

Treasury & Commodities: The Company acts as agent for the ultimate parent undertaking, by receiving metals and mining, agricultural commodities and energy market client introductions from a United States company within the Macquarie Bank Limited group and introducing these clients to the ultimate parent undertaking, Macquarie Bank Limited. The agricultural commodity and energy divisions of the Company also undertakes marketing activities for the ultimate parent undertaking.

The Company is a member of the London International Financial Futures and Options Exchange and is regulated by the Financial Services Authority. The Company is a member of Xetra but anticipates that this membership will be resigned in the next financial year. The Company resigned its membership of EUREX effective 9 May 2003.

RESULTS AND DIVIDENDS

The Company's loss for the year amounts to £277,110 (2002: £137,362 loss). No dividend is proposed (2002: £Nil).

MACQUARIE EQUITIES (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)**DIRECTORS AND THEIR INTERESTS**

The directors holding office during the year were as follows:

C Nelson
J Roberts
B Preston
A Evans
M Bennett (resigned 14 February 2003)

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.

CREDITORS PAYMENT POLICY

It is the Company's policy to agree the terms of payment to creditors at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations.

AUDITORS

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 20 June 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

Pursuant to Section 386 of the Companies Act 1985, an elective resolution was passed resolving that the Company dispense with the requirement to appoint auditors annually.

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.

MACQUARIE EQUITIES (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)**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



A Evans
Director
20 June 2003

MACQUARIE EQUITIES (UK) LIMITED

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

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention, as modified by the revaluation of trading securities and derivatives to market value, and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and the United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies Act 1985. 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the general information and the directors' report.

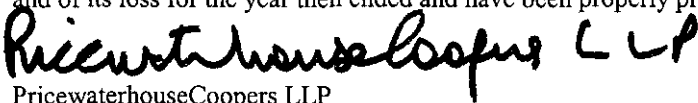
Basis of audit opinion

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 the Company's affairs at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 June 2003

MACQUARIE EQUITIES (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 £	2002 £
Turnover		5,410,255	311,275
Administrative expenses		(5,087,001)	(356,230)
Administrative expenses – exceptional items	3	<u>(124,945)</u>	<u>-</u>
		198,309	(44,955)
Other operating charges		<u>(209,800)</u>	<u>(2,194)</u>
OPERATING LOSS INCLUDING EXCEPTIONAL ITEMS		(11,491)	(47,149)
Interest receivable and similar income	4	202,279	46,892
Interest payable and similar charges	5	<u>(467,898)</u>	<u>(122,039)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(277,110)	(122,296)
Tax on loss on ordinary activities	7	-	(15,066)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(277,110)</u>	<u>(137,362)</u>
RETAINED LOSS BROUGHT FORWARD		<u>(165,158)</u>	<u>(27,796)</u>
RETAINED LOSS CARRIED FORWARD		<u>(442,268)</u>	<u>(165,158)</u>

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

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 8 to 18 form part of these financial statements.

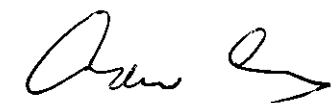
MACQUARIE EQUITIES (UK) LIMITED**BALANCE SHEET AS AT 31 MARCH 2003**

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	10	80,318	6,554
Intangible assets	11	241,341	-
		<u>321,659</u>	<u>6,554</u>
CURRENT ASSETS			
Debtors	12	1,081,911	232,970
Investments	13	5,312,891	7,083,648
Cash at bank and in hand	14	11,322,453	3,523,768
		<u>17,717,255</u>	<u>10,840,386</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(10,881,182)	(10,012,098)
NET CURRENT ASSETS		<u>6,836,073</u>	<u>828,288</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(500,000)	-
TOTAL NET ASSETS		<u>6,657,732</u>	<u>834,842</u>
CAPITAL AND RESERVES			
Called up share capital	17	2,101,000	1,000,000
Share premium reserve	17	4,999,000	-
Profit and loss account		(442,268)	(165,158)
SHAREHOLDERS' FUNDS	18	<u>6,657,732</u>	<u>834,842</u>

The notes on pages 8 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on 20 June 2003.

Signed on behalf of the board of directors



A Evans
Director

MACQUARIE EQUITIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with Schedule 4 to the Companies Act 1985, as modified by the revaluation of trading securities and derivatives to market value, and with applicable accounting standards.

The particular policies adopted are 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, are brought to account by reference to securities traded during the period (realised profits and losses) and the market prices of securities held at period end (unrealised profits and losses);
- (ii) Research income is derived by charging divisions within the Macquarie Bank Limited group in accordance with inter-divisional recovery policies in place;
- (iii) Amounts relating to the facilitation of staff secondments to overseas companies are brought to account in accordance with agreements in place;
- (iv) Brokerage commission income is a percentage of the trade values of trades introduced to Macquarie Equities (Australia) Limited and is brought to account in accordance with service agreements in place; and
- (v) Fees for the Treasury & Commodities division client introductory activities are calculated on the basis of cost plus a markup and are brought to account in accordance with service agreements in place.

b) OTHER OPERATING INCOME/(CHARGES)

Gains and losses arising from foreign currency exposure are accounted for as other operating income or charges respectively.

The objective of Financial Reporting Standard 18 is to ensure that accounting policies give a true and fair view, are reviewed regularly and are changed when a new policy becomes more appropriate. In prior years, the Company disclosed gains and losses arising from foreign currency exposure within turnover. In the directors' opinion, gains and losses arising from foreign currency exposure are more appropriately disclosed as other operating income or charges and the Company has adopted this change in accounting policy in the current year. The prior period comparatives have been re-stated to enhance comparability.

c) FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies which are not covered by forward exchange contracts are translated to sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

MACQUARIE EQUITIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

d) INTEREST

Interest receivable and similar income and interest payable and similar charges are brought to account on an accruals basis.

e) TAXATION AND DEFERRED TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences between the accounting and tax treatment of income and expenses at the reporting date, the anticipated reversal of which will result in a change in future liability to tax. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and law and is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

f) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided in equal monthly instalments on a straight line basis over the estimated useful lives of the assets. The rates of depreciation are as follows:

Furniture and fittings	20% - 25% per annum
Office equipment	20% - 33% per annum
Computers	33% - 50% per annum

In October 2002, the depreciation rate applicable for new computers was increased from the standard 33% to 50%. This new rate was introduced to reflect the useful economic life of computer equipment and ensure consistency amongst all entities within the Macquarie Bank Limited group of companies. The effect of the rate increase on the Company's results is not material.

g) SECURITIES

Securities held as current trading assets are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit for the year of the Company since the marketability of the investments enables decisions to be taken continually about whether to hold or sell them and hence the economic measure of profit in any period is made by reference to market values.

It is not practicable to quantify the effect on the financial statements of this departure, since information on original cost, being of no continuing relevance to the business, is not available.

MACQUARIE EQUITIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****1. ACCOUNTING POLICIES (CONTINUED)****h) GOODWILL AND AMORTISATION**

Purchased goodwill represents the amount by which the cost of a business or entity exceeds the aggregate fair values of its identifiable assets and liabilities at the date of acquisition. Goodwill is stated at cost less accumulated amortisation. Amortisation is provided in equal monthly instalments on a straight line basis over the estimated useful life of the goodwill, being 20 years.

The directors review the estimated useful life of the intangible benefits of goodwill on an on-going basis to ensure that the remaining useful life is appropriate. Where the directors are of the opinion that there has been a permanent diminution in the remaining useful life of the goodwill, the amortisation period is reduced accordingly.

i) IMPAIRMENT

Tangible fixed assets and goodwill are reviewed for impairment if there are events or changes in circumstances that indicate that the carrying values may not be recoverable. In addition, goodwill is reviewed for impairment at the end of the first full financial year following the acquisition as required by Financial Reporting Standard 10.

j) CASH AT BANK AND IN HAND

Cash at bank and in hand comprises cash on hand, deposits held at call with banks and other short-term highly liquid investments.

k) FINANCIAL DERIVATIVES

Financial derivatives include positions in derivative products such as futures and swaps. Movements in the market value of the underlying instrument are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit for the year of the Company since the marketability of the financial instruments enables decisions to be taken continually about whether to hold, buy or sell such positions and hence the economic measure of profit in any period is made by reference to market values.

It is not practicable to quantify the effect on the financial statements of this departure, since information on original cost, being of no continuing relevance to the business, is not available.

MACQUARIE EQUITIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003 (CONTINUED)

2. SEGMENTAL REPORTING

Geographical Segments

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2003 £	2002 £	2003 £	2002 £	2003 £	2002 £
United Kingdom	5,410,255	311,275	(277,110)	(122,296)	6,888,556	834,842
Germany	-	-	-	-	(230,854)	-
	<u>5,410,255</u>	<u>311,275</u>	<u>(277,110)</u>	<u>(122,296)</u>	<u>6,657,732</u>	<u>834,842</u>

On 31 March 2003, the Company acquired the institutional stockbroking business previously operating in the Munich branch of Macquarie Equities Limited. The balance sheet assets and liabilities purchased are represented in the Germany category in the above geographical segmental disclosure. The Company will commence activity in the Munich branch from 1 April 2003, hence there is no turnover, profit or loss on activities from Munich branch operations for the year ended 31 March 2003.

Business Segments

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2003 £	2002 £	2003 £	2002 £	2003 £	2002 £
Enhanced Equities	316,534	102,453	(170,196)	(232,350)	(402,546)	(232,350)
Equities Research	1,111,450	-	(829)	-	(829)	-
Equity Markets	154,379	208,822	104,936	156,758	7,333,899	1,128,962
Institutional Stockbroking	2,364,752	-	(329,699)	-	(135,856)	-
Treasury & Commodities	1,410,630	-	42,997	-	42,997	-
Other	52,510	-	75,681	(46,704)	(179,933)	(61,770)
	<u>5,410,255</u>	<u>311,275</u>	<u>(277,110)</u>	<u>(122,296)</u>	<u>6,657,732</u>	<u>834,842</u>

MACQUARIE EQUITIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)**
3. ADMINISTRATIVE EXPENSES - EXCEPTIONAL ITEMS

	2003	2002
	£	£
Secondee termination payments	124,945	-
	<u>124,945</u>	<u>-</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£	£
Interest receivable from ultimate parent undertaking	175,185	46,892
Interest receivable from other group undertakings	27,094	-
	<u>202,279</u>	<u>46,892</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Interest payable to ultimate parent undertaking	466,761	122,039
Interest payable to other group undertakings	1,137	-
	<u>467,898</u>	<u>122,039</u>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:-

	2003	2002
	£	£
Foreign exchange losses	209,800	2,194
Secondment costs	2,129,555	181,959
Depreciation expense	34,925	514
Auditors' remuneration:		
Statutory audit	24,600	17,500
Fees for non-audit services	24,943	14,157

The Company had no employees during the year (2002: Nil).

MACQUARIE EQUITIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003 (CONTINUED)

7. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of tax charge for the year

	2003 £	2002 £
Current tax:		
UK corporation tax at 30% (2002: 30%)	-	-
Adjustments to tax in respect of prior years	-	15,066
Total current tax	-	15,066
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustments to tax in respect of prior years	-	-
	-	-
Tax on loss on ordinary activities	-	15,066

Factors affecting tax charge for the year

The taxation charge for the year ended 31 March 2003 is £Nil. The taxation charge for the prior year was higher than the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:

	Notes	2003 £	2002 £
Loss on ordinary activities before taxation		(277,110)	(122,296)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2002: 30%)		(83,133)	(36,689)
Effects of:			
Losses not utilised during the year	8	48,232	-
Expenses not deductible for tax purposes		34,901	-
Expenses not allowed for accounting purposes but deductible for tax purposes		-	(835)
Group losses surrendered by the Company for nil consideration		-	37,524
Adjustments to tax in respect of prior years		-	15,066
		-	15,066

The Company has surrendered £37,524, being the benefit of losses amounting to £122,296 for the tax year ended 31 March 2002 to fellow subsidiary undertakings within the Macquarie Bank Limited group of companies without receiving any payment.

MACQUARIE EQUITIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003 (CONTINUED)

8. DEFERRED TAX

The Company has a loss for the year ended 31 March 2003 of £277,110 which, at the current tax rate of 30% and taking account of expenses not deductible for tax purposes, could cause a potential deferred tax asset of £48,232 (2002: £nil). Deferred tax assets should only be recognised where it can be regarded as more likely than not that there will be suitable taxable profits from which a future reversal of the underlying timing differences can be deducted. In the opinion of the directors this is currently not the case and therefore no asset is recognised in the financial statements.

9. DIRECTORS' REMUNERATION

All directors of the Company are directors of other members of the Macquarie Bank Limited 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 described in note 19.

10. TANGIBLE FIXED ASSETS

	Office furniture, fixtures, fittings and computers £
COST	
At 1 April 2002	7,068
Additions	120,417
Disposals	(14,027)
At 31 March 2003	<u>113,458</u>
ACCUMULATED DEPRECIATION	
At 1 April 2002	514
Charge for the period	34,925
Disposals	(2,299)
At 31 March 2003	<u>33,140</u>
NET BOOK AMOUNT	
31 March 2003	<u>80,318</u>
31 March 2002	<u>6,554</u>

MACQUARIE EQUITIES (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****11. INTANGIBLE FIXED ASSETS**

On 31 March 2003, the Company acquired the institutional stockbroking business previously operating in the Munich branch of Macquarie Equities Limited. The Company will commence activity in the Munich branch from 1 April 2003.

	2003
	£
Purchase price	10,487
The book and fair values of the Munich branch assets and liabilities acquired are;	
Cash on hand	504
Cash held with other banks	256,929
Amounts owed by other group undertakings	180,566
Other debtors	4,466
Amounts owed to ultimate parent undertaking	(554,937)
Provision for tax	(97,200)
Other creditors	(21,182)
	<u>(230,854)</u>
Goodwill in Munich branch business	241,341
	<u>10,487</u>

12. DEBTORS

	2003	2002
	£	£
VAT recoverable	15,212	4,639
Fees receivable	-	117,934
Amounts owed by other group undertakings	973,756	9,761
Dividends receivable	62,486	66,631
Other debtors	30,457	34,005
	<u>1,081,911</u>	<u>232,970</u>

Amounts owed by other group undertakings are owed by overseas undertakings, are unsecured and have no fixed date of repayment. The Company derives interest on amounts owed by overseas undertakings at market rates and at 31 March 2003 the rate applied was LIBOR plus 1.5%.

MACQUARIE EQUITIES (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****13. INVESTMENTS**

	2003	2002
	£	£
Listed on London Stock Exchange	4,979,316	7,083,648
FTSE 100 index futures	333,575	-
	<u>5,312,891</u>	<u>7,083,648</u>

The objective of the Enhanced Equities business is to trade in United Kingdom securities essentially matching the mix of securities making up the FTSE All Share index with a view to outperforming the index. FTSE 100 index futures are held so that the use of capital to invest in United Kingdom securities is fully hedged, to minimise the risk of capital loss.

Two equal and opposite swaps have been entered into with the ultimate parent undertaking, therefore the swaps have nil value. These swaps expire on 20 February 2005, although either party may terminate at any time with at least five days notice being given to the other party.

14. CASH AT BANK AND IN HAND

	2003	2002
	£	£
Cash held with ultimate parent undertaking	9,634,978	1,098,962
Cash held with other banks	1,686,971	2,424,806
Cash on hand	504	-
	<u>11,322,453</u>	<u>3,523,768</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Amounts owed to ultimate parent undertaking	9,343,438	9,817,118
Amounts owed to other group undertakings	1,055,139	-
Taxation	113,665	15,066
Other creditors	368,940	179,914
	<u>10,881,182</u>	<u>10,012,098</u>

Amounts owed to the ultimate parent undertaking for intercompany loans are unsecured and have no fixed date of repayment. The Company incurs interest on intercompany loans from the ultimate parent undertaking at market rates and at 31 March 2003 the rate applied was 3.70% (2002: 4.09%). Other amounts owed to the ultimate parent undertaking are also unsecured and have no fixed date of repayment. Interest is incurred at market rates and at 31 March 2003 the rate applied was LIBOR plus 2.5%. During the year ended 31 March 2003, the ultimate parent undertaking exercised its right to charge interest in respect of prior years.

Amounts owed to other group undertakings are unsecured and have no fixed date of repayment. Interest is incurred at market rates and at 31 March 2003 the rate applied was LIBOR plus 2.5%.

MACQUARIE EQUITIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)**
16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Subordinated loan	500,000	-
	<u>500,000</u>	<u>-</u>

The subordinated loan was granted to the Company by the ultimate parent undertaking on 23 May 2002. Interest is calculated on a daily basis at market rates charged by financial institutions for an equivalent facility. At 31 March 2003, the rate applied was 3.65%. The loan is repayable two years from the date of either the borrower or the lender giving notice in writing to the other party. No such notice has been given by the borrower or the lender at the reporting date.

17. SHARE CAPITAL

	2003 £	2002 £
AUTHORISED		
2,101,000 ordinary shares of £1 each		
(2002: 1,000,000 ordinary shares of £1 each)	<u>2,101,000</u>	<u>1,000,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
Ordinary shares of £1 each	2,101,000	1,000,000
Share premium reserve (1,000 ordinary shares of £4,999 each)	<u>4,999,000</u>	-
	<u>7,100,000</u>	<u>1,000,000</u>

During the year authorised share capital was increased by 1,101,000 ordinary shares (2002: Nil) and 1,101,000 ordinary shares (2002: Nil) were issued and allotted for cash. The nominal value and consideration for these shares was £6,100,000, resulting in a share premium reserve of £4,999,000.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Opening shareholders' funds	834,842	972,204
Issue of ordinary share capital	1,101,000	-
Share premium on ordinary shares issued	4,999,000	-
Retained loss for the financial year	<u>(277,110)</u>	<u>(137,362)</u>
Closing shareholders' funds	<u>6,657,732</u>	<u>834,842</u>

MACQUARIE EQUITIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****19. ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Macquarie European Holdings Pty Limited, a company incorporated in Australia.

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 financial statements for Macquarie Bank Limited can be obtained from the Company Secretary, Level 15, No. 1 Martin Place, Sydney, New South Wales, 2000, Australia.

20. 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.

21. CASH FLOW STATEMENT

The Company was a wholly owned subsidiary within the Macquarie Bank Limited group throughout the year and is included in the consolidated financial statements of Macquarie Bank Limited, 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).