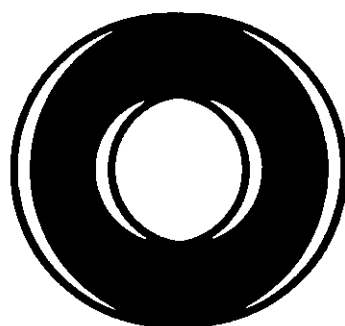


Company Registration Number : 3704031

MACQUARIE EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2005**



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MACQUARIE EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

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MACQUARIE EUROPE LIMITED

GENERAL INFORMATION**Directors**

C Nelson
B Preston
J Craig
S Grenfell
Lord A Macdonald (appointed 10/09/2004, resigned 01/11/2004)

Secretary

R Tallentire

Registered Office

Level 30
CityPoint
1 Ropemaker Street
London EC2Y 9HD

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Company number: 3704031

MACQUARIE EUROPE LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for Macquarie Europe Limited ("the Company") for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company is regulated by the Financial Services Authority and is a member of Euwax. The Company undertakes various business activities including the following:

Institutional Stockbroking: The Company operates an institutional stockbroking business, soliciting clients and introducing them to Macquarie Securities (Australia) Limited, formerly Macquarie Equities (Australia) Limited, an Australian subsidiary of Macquarie Bank Limited, being the institutional stockbroking entity of the Macquarie Bank Limited group. During the year the Company acquired the Asian sales team from ING which commenced the institutional stockbroking business of soliciting and introducing clients to Macquarie Securities Limited, a Hong Kong subsidiary of Macquarie Bank Limited. These operations have commenced in London, Paris and Frankfurt.

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 undertook marketing activities for the ultimate parent undertaking. During the year the Company registered with the National Futures Association and commenced marketing to US investors.

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

Equity Markets: The Company operates as a developer and distributor of structured products throughout western Europe, in particular Germany and Austria. Products are generally targetted to high net worth individuals through distribution agreements the Company has with private banking networks in these countries.

Enhanced Equities: The objective of the Enhanced Equities business is to trade in United Kingdom securities essentially matching the mix of securities making up the FTSE 100 and All Share indexes with a view to outperforming the indexes. FTSE 100 index futures are held so that the use of capital to invest in United Kingdom securities is substantially hedged, to minimise the risk of capital loss. This business was temporarily suspended in September 2004.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year the Company opened a representative office of the Munich Branch in Frankfurt and a Branch in Paris. Also during the year the Company temporarily suspended the Enhanced Equities business.

The Company does not envisage any other changes in activities for the foreseeable future.

MACQUARIE EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)**RESULTS AND DIVIDENDS**

The Company's profit for the year amounts to £2,056,193 (2004: £1,101,652). No dividend is proposed (2004: Nil).

DIRECTORS AND THEIR INTERESTS

The directors holding office during the year were as follows:

C Nelson
B Preston
J Craig
S Grenfell
Lord A Macdonald (appointed 10/09/2004, resigned 01/11/2004)

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.

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 EUROPE 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 and of the profit or loss of the Company for that period. 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 confirm that they have complied with the above requirements in preparing the financial statements. 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.

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.

By order of the board



C Nelson
Director
29 June 2005

MACQUARIE EUROPE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MACQUARIE EUROPE LIMITED**

We have audited the financial statements which comprises the profit and loss account, the balance sheet and related notes on pages 6 to 18 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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.

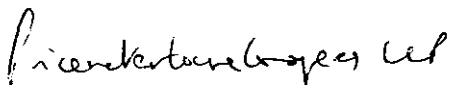
Basis of audit opinion

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 2005 and of its profit 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

30 June 2005

MACQUARIE EUROPE LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005 £	2004 £
Turnover		19,746,186	10,209,749
Administrative expenses		<u>(17,272,280)</u>	<u>(8,347,821)</u>
		2,473,906	1,861,928
Other operating charges		<u>(48,597)</u>	<u>(340,410)</u>
OPERATING PROFIT		2,425,309	1,521,518
Other interest receivable and similar income	3	661,034	360,657
Interest payable and similar charges	4	<u>(617,542)</u>	<u>(485,174)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	2,468,801	1,397,001
Tax on profit on ordinary activities	6	(412,608)	(295,349)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>2,056,193</u>	<u>1,101,652</u>
RETAINED PROFIT/(LOSS) BROUGHT FORWARD		<u>659,384</u>	<u>(442,268)</u>
RETAINED PROFIT CARRIED FORWARD		<u><u>2,715,577</u></u>	<u><u>659,384</u></u>

Turnover and profit 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 EUROPE LIMITED**BALANCE SHEET AS AT 31 MARCH 2005**

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible assets	9	297,221	56,317
Intangible assets	10	217,284	229,228
		<u>514,505</u>	<u>285,545</u>
CURRENT ASSETS			
Debtors	11	9,422,564	457,799
Deferred Tax Asset	7	635,931	-
Investments	12	-	6,406,580
Cash at bank and in hand	13	15,373,071	10,750,306
		<u>25,431,566</u>	<u>17,614,685</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(6,069,927)	(9,640,846)
NET CURRENT ASSETS		<u>19,361,639</u>	<u>7,973,839</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(4,000,000)	(500,000)
PROVISION FOR LIABILITIES AND CHARGES	16	(6,060,567)	-
TOTAL NET ASSETS		<u>9,815,577</u>	<u>7,759,384</u>
CAPITAL AND RESERVES			
Called up share capital	17	2,101,000	2,101,000
Share premium reserve	17	4,999,000	4,999,000
Profit and loss account		2,715,577	659,384
SHAREHOLDERS' FUNDS	18	<u>9,815,577</u>	<u>7,759,384</u>

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

The financial statements on pages 6 to 18 were approved by the board of directors on 29 June 2005 and were signed on its behalf by:

C Nelson
Director



MACQUARIE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with Schedule 4 to the Companies Act 1985, with the exception of trading securities and financial derivatives which are revalued to market value, and with applicable accounting standards. This departure is explained in notes 1(g) and (k) below.

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, 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) Dividend income on securities is brought to account when the dividends are declared;
- (iii) Research income is derived by charging divisions within the Macquarie Bank Limited group in accordance with inter-divisional recovery policies in place;
- (iv) Amounts relating to the facilitation of staff secondments to overseas companies within the Macquarie Bank Limited group are brought to account in accordance with agreements in place;
- (v) Brokerage commission income is from trades introduced to Macquarie Securities (Australia) Limited and Macquarie Securities Limited, is calculated at cost plus a markup and is brought to account in accordance with service agreements in place;
- (vi) Fee income for work done on transactions for entities within the Macquarie Bank Limited group of companies is calculated at cost plus a markup and brought to account on an accruals basis; and
- (vii) 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.
- (viii) Underwriting fee income earned is subject to a fee sharing arrangement with Macquarie Bank Limited.

b) OTHER OPERATING INCOME/(CHARGES)

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

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 EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005 (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

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 EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(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.

l) PROVISION FOR LIABILITIES AND CHARGES

A provision is recognised where the company has a present legal or constructive obligation to make a payment as a result of a past event where it is more probable than not that a transfer of economic benefit will be required to settle the obligation and the amount can be reliably estimated.

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(CONTINUED)****2. SEGMENTAL REPORTING****Geographical Segments**

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2005 £	2004 £	2005 £	2004 £	2005 £	2004 £
United Kingdom	15,959,484	9,376,991	2,242,022	1,415,954	9,468,153	7,531,993
Germany	3,114,876	832,758	175,145	(18,953)	334,149	227,391
France	671,826	-	51,634	-	13,275	-
	<u>19,746,186</u>	<u>10,209,749</u>	<u>2,468,801</u>	<u>1,397,001</u>	<u>9,815,577</u>	<u>7,759,384</u>

Business Segments

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2005 £	2004 £	2005 £	2004 £	2005 £	2004 £
Institutional						
Stockbroking	15,379,651	6,123,630	2,330,801	1,821,024	4,265,407	1,933,525
Enhanced Equities	157,690	250,881	(61,255)	(66,011)	(529,812)	(468,557)
Equities Research	1,979,024	809,718	113,335	(340)	112,167	(1,169)
Equity Markets	2,181,049	523,862	495,158	251,920	8,068,752	7,573,801
Treasury & Commodities	-	2,420,686	(91,720)	69,374	20,650	112,370
Other	48,772	80,972	(317,518)	(678,966)	(2,121,587)	(1,390,586)
	<u>19,746,186</u>	<u>10,209,749</u>	<u>2,468,801</u>	<u>1,397,001</u>	<u>9,815,577</u>	<u>7,759,384</u>

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(CONTINUED)****3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	2005	2004
	£	£
Interest receivable from ultimate parent undertaking	600,912	322,679
Interest receivable from other Macquarie Bank Limited group		
Undertakings	56,911	35,212
Interest receivable from unrelated parties	3,211	2,766
	<u>661,034</u>	<u>360,657</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Interest payable to ultimate parent undertaking	615,547	485,015
Interest payable to other Macquarie Bank Limited group		
Undertakings	1,995	159
	<u>617,542</u>	<u>485,174</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2005	2004
	£	£
Foreign exchange losses	48,597	340,410
Staff costs	1,321,134	431,932
Staff resourcing charge from ultimate parent undertaking	11,067,681	2,634,722
Depreciation expense	90,888	39,171
Auditors' remuneration:		
Audit services	21,283	14,225
Non-audit services	15,235	9,295

The average number of persons employed by the Company during the year calculated on a quarterly basis was 6 (2004: 4).

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(CONTINUED)****6. TAX ON PROFIT ON ORDINARY ACTIVITIES****Analysis of tax charge for the year**

	2005 £	2004 £
Current tax:		
UK corporation tax at 30% (2004: 30%)	1,096,701	532,521
Overseas tax suffered	(875)	13,741
Adjustments to tax in respect of prior years	(47,287)	(250,913)
Total current tax	<u>1,048,539</u>	<u>295,349</u>
Deferred tax:		
Origination and reversal of timing differences	(296,439)	-
Adjustments to tax in respect of prior years	(339,492)	-
	<u>(635,931)</u>	<u>-</u>
 Tax on profit on ordinary activities	 <u>412,608</u>	 <u>295,349</u>

Factors affecting tax charge for the year

The taxation charge for the year ended 31 March 2005 is £412,608 (2004: £295,349). The taxation charge for the year is lower than the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before taxation	2,468,801	1,397,001
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	740,640	419,100
Effects of:		
Losses not utilised during the year	-	-
Expenses not deductible for tax purposes	59,622	123,168
Accelerated capital allowance and other timing differences	(339,492)	-
Additional tax expense from overseas operations	(875)	3,994
Adjustments to tax in respect of prior years	(47,287)	(250,913)
	<u>412,608</u>	<u>295,349</u>

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(CONTINUED)****7. DEFERRED TAX**

	2005 £	2004 £
At 1 April 2004 as previously stated	-	-
Movement during the period	635,931	-
Deferred tax provided at 31 March 2005	<u>635,931</u>	<u>-</u>
Comprising:		
Tax on loss	-	-
Accelerated capital allowance	(7,880)	-
Other timing differences	643,811	-
Deferred Tax Asset	<u>635,931</u>	<u>-</u>

8. DIRECTORS' REMUNERATION

All directors of the Company are directors of other members of the Macquarie Bank Limited group and it is considered that a not substantial amount of their time during the year relates to the Company. Accordingly, no separate remuneration has been disclosed.

9. TANGIBLE FIXED ASSETS

	Office furniture, fixtures, fittings and computers £
COST	
At 1 April 2004	128,628
Additions	331,792
Disposals	-
At 31 March 2005	<u>460,420</u>
ACCUMULATED DEPRECIATION	
At 1 April 2004	72,311
Charge for the period	90,888
Disposals	-
At 31 March 2005	<u>163,199</u>
NET BOOK AMOUNT	
31 March 2005	<u>297,221</u>
31 March 2004	<u>56,317</u>

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(CONTINUED)****10. INTANGIBLE FIXED ASSETS**

	2005	2004
	£	£
Goodwill	241,341	241,341
Accumulated amortisation	(24,057)	(12,113)
	<u>217,284</u>	<u>229,228</u>

The goodwill disclosed above relates to the Company's acquisition on 31 March 2003 of the institutional stockbroking business previously operating in the Munich branch of Macquarie Equities Limited, a subsidiary undertaking of Macquarie Bank Limited. The Company commenced activity in the Munich branch from 1 April 2003.

11. DEBTORS

	2005	2004
	£	£
VAT recoverable	85,553	16,313
Amounts owed by other Macquarie Bank Limited group undertakings	8,009,078	339,244
Employee retentions	1,276,750	-
Dividends receivable	-	74,351
Other debtors	51,183	27,891
	<u>9,422,564</u>	<u>457,799</u>

Included in Employee retentions is an amount of £747,571 (2004: £Nil) due to be amortised after one year.

Amounts owed by other Macquarie Bank Limited group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on amounts owed by other Macquarie Bank Limited group undertakings at market rates and at 31 March 2005 the rate applied was LIBOR plus 0.25%.

12. INVESTMENTS

	2005	2004
	£	£
Securities listed on London Stock Exchange	-	6,368,670
FTSE 100 index futures	-	37,910
	<u>-</u>	<u>6,406,580</u>

The Enhanced Equities business temporarily suspended operations in September 2004.

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(CONTINUED)****13. CASH AT BANK AND IN HAND**

	2005	2004
	£	£
Cash held with ultimate parent undertaking	15,138,634	9,240,761
Cash held with other banks	234,298	1,509,514
Cash on hand	139	31
	<u>15,373,071</u>	<u>10,750,306</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Amounts owed to ultimate parent undertaking	4,893,253	9,092,998
Amounts owed to other Macquarie Bank Limited group undertakings	79,505	-
Taxation	769,251	436,779
Other creditors	327,918	111,069
	<u>6,069,927</u>	<u>9,640,846</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 2005 the rate applied was 4.80% (2004: 4.32%). 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 2005 the rate applied was LIBOR plus 0.25% (2004: LIBOR plus 2.0%).

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004
	£	£
Subordinated loans	4,000,000	500,000
	<u>4,000,000</u>	<u>500,000</u>

On 23 May 2002 and 19 July 2004 subordinated loans of £500,000 and £5,000,000 respectively were granted to the Company by the ultimate parent undertaking. Interest is calculated on a daily basis at market rates charged by financial institutions for an equivalent facility. At 31 March 2005, the rate applied was 4.88% (2004: 4.20%). The first loan has been fully drawdown and is repayable two years from the date of either the borrower or the lender giving notice in writing to the other party and to the Financial Services Authority. The second loan has been drawdown to £3,500,000 and is repayable five years from the date of either the borrower or the lender giving notice in writing to the other party and to the Financial Services Authority. No such notices have been given by the borrower or the lender at the reporting date.

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(CONTINUED)****16. PROVISION FOR LIABILITIES AND CHARGES**

	2005	2004
	£	£
1 April 2004	-	-
Charged to profit and loss	4,783,817	-
Deferred as employee retentions	1,276,750	-
31 March 2005	<u>6,060,567</u>	<u>-</u>

A provision of £6,060,567 (2004: £Nil) has been made in relation to bonuses payable to staff both employed by the Company and seconded to the Company from other group undertakings.

Maturity profile of provision

	2005	2004
	£	£
Within 1 year	4,791,709	-
Between 1 and 2 years	274,662	-
Between 2 and 5 years	994,196	-
	<u>6,060,567</u>	<u>-</u>

17. SHARE CAPITAL

	2005	2004
	£	£
AUTHORISED		
2,101,000 ordinary shares of £1 each	<u>2,101,000</u>	<u>2,101,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
Ordinary shares of £1 each	2,101,000	2,101,000
Share premium reserve (1,000 ordinary shares of £4,999 each)	<u>4,999,000</u>	<u>4,999,000</u>
	<u>7,100,000</u>	<u>7,100,000</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Opening shareholders' funds	7,759,384	6,657,732
Issue of ordinary share capital	-	-
Share premium on ordinary shares issued	-	-
Retained profit for the financial year	<u>2,056,193</u>	<u>1,101,652</u>
Closing shareholders' funds	<u>9,815,577</u>	<u>7,759,384</u>

MACQUARIE EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005
(CONTINUED)****19. ULTIMATE PARENT UNDERTAKING**

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

The ultimate parent undertaking and controlling party of Macquarie Europe 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

As 100% of the voting rights of the Company are controlled within the group headed by Macquarie Bank Limited, incorporated in Australia, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Bank Limited group. The consolidated financial statements of Macquarie Bank Limited, within which the Company is included, can be obtained from the address given in Note 19.

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).