

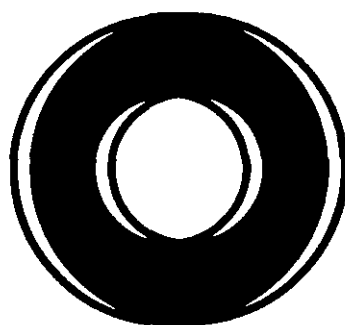
Company Registration Number : 3704031

MACQUARIE EUROPE LIMITED

(FORMERLY MACQUARIE EQUITIES (UK) LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2004**



MACQUARIE



MACQUARIE EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

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MACQUARIE EUROPE LIMITED

GENERAL INFORMATION**Directors**

C Nelson
B Preston
J Craig (appointed 20 June 2003)
S Grenfell (appointed 20 June 2003)
A Evans (resigned 29 August 2003)
J Roberts (resigned 16 October 2003)

Secretary

D Walmsley (resigned 28 August 2003)
R Tallentire (appointed 28 August 2003)

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 2004.

PRINCIPAL ACTIVITIES

The Company changed its name from Macquarie Equities (UK) Limited to Macquarie Europe Limited on 24 November 2003. The Company is regulated by the Financial Services Authority and is a member of Euwax. The Company resigned its membership of Eurex and Xetra during the financial year ended 31 March 2004. The Company undertakes various business activities including the following:

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.

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. The Company facilitates the secondment of Equity Markets staff to Brazil entities within the Macquarie Bank Limited group. During the year the Company commenced Equity Markets activity in its Munich branch.

Institutional Stockbroking: The Company operates an institutional stockbroking business, soliciting clients and introducing them to 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 commenced institutional stockbroking activity in the Munich branch.

Treasury & Commodities: The Company acted 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.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company's ultimate parent undertaking, Macquarie Bank Limited, recently announced an agreement to purchase ING Bank's Asian equities business with effect on or around 31 July 2004. As part of this Macquarie group transaction, the business located in London, Paris and Frankfurt will be conducted by the Company. This will see the Company extending its European presence to Paris and Frankfurt.

MACQUARIE EUROPE LIMITED

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

The Company's profit for the year amounts to £1,101,652 (2003: £277,110 loss). No dividend is proposed (2003: Nil).

DIRECTORS AND THEIR INTERESTS

The directors holding office during the year were as follows:

C Nelson
B Preston
J Craig (appointed 20 June 2003)
S Grenfell (appointed 20 June 2003)
A Evans (resigned 29 August 2003)
J Roberts (resigned 16 October 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.

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
25 June 2004

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, balance sheet and related notes on pages 6 to 17 which have been prepared under the historical cost convention, with the exception of trading securities and financial derivatives which are revalued 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 2004 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

25 June 2004

MACQUARIE EUROPE LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004**

	Notes	2004 £	2003 £
Turnover		10,209,749	5,410,255
Administrative expenses		(8,347,821)	(5,087,001)
Administrative expenses – exceptional items	3	-	(124,945)
		1,861,928	198,309
Other operating charges		(340,410)	(209,800)
OPERATING PROFIT/(LOSS) INCLUDING EXCEPTIONAL ITEMS		1,521,518	(11,491)
Other interest receivable and similar income	4	360,657	202,279
Interest payable and similar charges	5	(485,174)	(467,898)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,397,001	(277,110)
Tax on profit/(loss) on ordinary activities	7	(295,349)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		1,101,652	(277,110)
RETAINED LOSS BROUGHT FORWARD		(442,268)	(165,158)
RETAINED PROFIT/(LOSS) CARRIED FORWARD		659,384	(442,268)

Turnover and profit/(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 17 form part of these financial statements.

MACQUARIE EUROPE LIMITED**BALANCE SHEET AS AT 31 MARCH 2004**

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	10	56,317	80,318
Intangible assets	11	<u>229,228</u>	<u>241,341</u>
		285,545	321,659
CURRENT ASSETS			
Debtors	12	457,799	1,081,911
Investments	13	6,406,580	5,312,891
Cash at bank and in hand	14	<u>10,750,306</u>	<u>11,322,453</u>
		17,614,685	17,717,255
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(9,640,846)	(10,881,182)
NET CURRENT ASSETS		<u>7,973,839</u>	<u>6,836,073</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(500,000)	(500,000)
TOTAL NET ASSETS		<u>7,759,384</u>	<u>6,657,732</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		<u>659,384</u>	<u>(442,268)</u>
SHAREHOLDERS' FUNDS	18	<u>7,759,384</u>	<u>6,657,732</u>

The notes on pages 8 to 17 form part of these financial statements.

The financial statements on pages 6 to 17 were approved by the board of directors on 25 June 2004 and were signed on its behalf by:



C Nelson
Director

MACQUARIE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004**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.

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 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;
- (vi) Fee income for work done on transactions for entities within the Macquarie Bank Limited group of companies is calculated at cost plus 10% 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.

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 2004 (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 2004
(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 FRS 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 EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
(CONTINUED)****2. SEGMENTAL REPORTING****Geographical Segments**

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2004 £	2003 £	2004 £	2003 £	2004 £	2003 £
United Kingdom	9,376,991	5,410,255	1,415,954	(277,110)	7,531,993	6,888,586
Germany	832,758	-	(18,953)	-	227,391	(230,854)
	<u>10,209,749</u>	<u>5,410,255</u>	<u>1,397,001</u>	<u>(277,110)</u>	<u>7,759,384</u>	<u>6,657,732</u>

Business Segments

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2004 £	2003 £	2004 £	2003 £	2004 £	2003 £
Enhanced Equities	250,881	316,534	(66,011)	(170,196)	(468,557)	(402,546)
Equities Research	809,718	1,111,450	(340)	(829)	(1,169)	(829)
Equity Markets	523,862	154,379	251,920	104,936	7,573,801	7,333,899
Institutional						
Stockbroking	6,123,630	2,364,752	1,821,024	(329,699)	1,933,525	(135,856)
Treasury &						
Commodities	2,420,686	1,410,630	69,374	42,997	112,370	42,997
Other	80,972	52,510	(678,966)	75,681	(1,390,586)	(179,933)
	<u>10,209,749</u>	<u>5,410,255</u>	<u>1,397,001</u>	<u>(277,110)</u>	<u>7,759,384</u>	<u>6,657,732</u>

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
(CONTINUED)****3. ADMINISTRATIVE EXPENSES - EXCEPTIONAL ITEMS**

	2004	2003
	£	£
Secondee termination payments	-	124,945
	<u>-</u>	<u>124,945</u>

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2004	2003
	£	£
Interest receivable from ultimate parent undertaking	322,679	175,185
Interest receivable from other Macquarie Bank Limited group undertakings	35,212	27,094
Interest receivable from unrelated parties	2,766	-
	<u>360,657</u>	<u>202,279</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable to ultimate parent undertaking	485,015	466,761
Interest payable to other Macquarie Bank Limited group undertakings	159	1,137
	<u>485,174</u>	<u>467,898</u>

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging:-

	2004	2003
	£	£
Foreign exchange losses	340,410	209,800
Staff costs	431,932	-
Staff resourcing charge from ultimate parent undertaking	2,634,722	2,129,555
Depreciation expense	39,171	34,925
Auditors' remuneration:		
Audit services	14,225	24,600
Non-audit services	9,295	24,943

The average number of persons employed by the Company during the year calculated on a quarterly basis was 4 (2003: Nil).

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
(CONTINUED)****7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES****Analysis of tax charge for the year**

	2004 £	2003 £
Current tax:		
UK corporation tax at 30% (2003: 30%)	532,521	-
Overseas tax suffered	13,741	-
Adjustments to tax in respect of prior years	(250,913)	-
Total current tax	<u>295,349</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustments to tax in respect of prior years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Tax on profit/(loss) on ordinary activities	<u><u>295,349</u></u>	<u><u>-</u></u>

Factors affecting tax charge for the year

The taxation charge for the year ended 31 March 2004 is £295,349 (2003: £Nil). 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:

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	1,397,001	(277,110)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2003: 30%)	419,100	(83,133)
Effects of:		
Losses not utilised during the year	-	48,232
Expenses not deductible for tax purposes	123,168	34,901
Additional tax expense from overseas operations	3,994	-
Adjustments to tax in respect of prior years for overseas operations	(250,913)	-
	<u>295,349</u>	<u>-</u>

Adjustments to tax in respect of prior years for overseas operations relates to the release of tax liabilities taken on when the Munich branch was acquired on 31 March 2003.

The Company has surrendered tax losses arising in the year ended 31 March 2003 to fellow subsidiary undertakings within the Macquarie Bank Limited group of companies without receiving any payment.

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
(CONTINUED)****8. DEFERRED TAXATION**

The Company has a potential deferred tax asset of £80,404 arising from expenses which are not deductible for tax purposes in the year ended 31 March 2004, but which will be deductible in future years. The directors do not believe it is prudent to recognise this potential future asset on the balance sheet in the current year.

9. 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.

10. TANGIBLE FIXED ASSETS

	Office furniture, fixtures, fittings and computers £
COST	
At 1 April 2003	113,458
Additions	15,170
Disposals	-
At 31 March 2004	<u>128,628</u>
ACCUMULATED DEPRECIATION	
At 1 April 2003	33,140
Charge for the period	39,171
Disposals	-
At 31 March 2004	<u>72,311</u>
NET BOOK AMOUNT	
31 March 2004	<u>56,317</u>
31 March 2003	<u>80,318</u>

11. INTANGIBLE FIXED ASSETS

	2004 £	2003 £
Goodwill	241,341	241,341
Accumulated amortisation	<u>(12,113)</u>	<u>-</u>
	<u>229,228</u>	<u>241,341</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.

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
(CONTINUED)****12. DEBTORS**

	2004	2003
	£	£
VAT recoverable	16,313	15,212
Amounts owed by other Macquarie Bank Limited group undertakings	339,244	973,756
Dividends receivable	74,351	62,486
Other debtors	27,891	30,457
	<u>457,799</u>	<u>1,081,911</u>

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 2004 the rate applied was LIBOR plus 0.5%.

13. INVESTMENTS

	2004	2003
	£	£
Securities listed on London Stock Exchange	6,368,670	4,979,316
FTSE 100 index futures	37,910	333,575
	<u>6,406,580</u>	<u>5,312,891</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 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.

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

	2004	2003
	£	£
Cash held with ultimate parent undertaking	9,240,761	9,634,978
Cash held with other banks	1,509,514	1,686,971
Cash on hand	31	504
	<u>10,750,306</u>	<u>11,322,453</u>

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
(CONTINUED)****15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004	2003
	£	£
Amounts owed to ultimate parent undertaking	9,092,998	9,343,438
Amounts owed to other Macquarie Bank Limited group undertakings	-	1,055,139
Taxation	436,779	113,665
Other creditors	111,069	368,940
	<u>9,640,846</u>	<u>10,881,182</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 2004 the rate applied was 4.32% (2003: 3.70%). 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 2004 the rate applied was LIBOR plus 2% (2003: LIBOR plus 2.5%).

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

	2004	2003
	£	£
Subordinated loan	500,000	500,000
	<u>500,000</u>	<u>500,000</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 2004, the rate applied was 4.20% (2003: 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 and to the Financial Services Authority. No such notice has been given by the borrower or the lender at the reporting date.

17. SHARE CAPITAL

	2004	2003
	£	£
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>

MACQUARIE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
(CONTINUED)****18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2004	2003
	£	£
Opening shareholders' funds	6,657,732	834,842
Issue of ordinary share capital	-	1,101,000
Share premium on ordinary shares issued	-	4,999,000
Retained profit/(loss) for the financial year	1,101,652	(277,110)
Closing shareholders' funds	<u>7,759,384</u>	<u>6,657,732</u>

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 FRS 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 FRS 1 (revised 1996).