

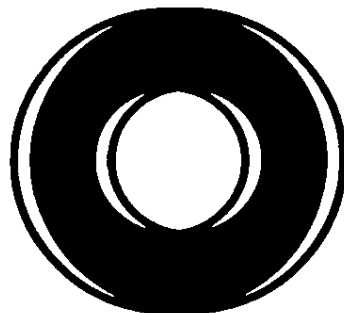
Company Registration Number : 3704031

MACQUARIE CAPITAL (EUROPE) LIMITED

(formerly Macquarie Europe Limited)

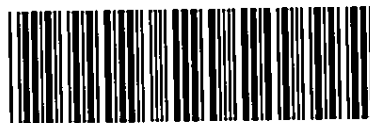
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2008**



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MACQUARIE CAPITAL (EUROPE) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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MACQUARIE CAPITAL (EUROPE) LIMITED

GENERAL INFORMATION

Directors

A Hunter		
I Learmonth		
C Nelson		
R Tallentire		
A Watson	(appointed 8 February 2008)	
G Conway	(appointed 26 February 2008)	
R Frost	(appointed 23 August 2007)	(resigned 11 January 2008)
P Plewman	(appointed 8 June 2007)	(resigned 1 November 2007)
J Craig	(resigned 18 April 2008)	
M Baillie	(resigned 1 November 2007)	
W Leamon	(resigned 1 November 2007)	
G Austen	(resigned 27 July 2007)	
S Grenfell	(resigned 9 July 2007)	
B Preston	(resigned 23 May 2007)	

Secretary

R Tallentire	
J Greenfield	(appointed 17 July 2007)
D Tan	(resigned 17 July 2007)

Registered Office

Level 35
CityPoint
1 Ropemaker Street
London EC2Y 9HD

Auditors

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
London SE1 2RD

Company number 3704031

MACQUARIE CAPITAL (EUROPE) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for Macquarie Capital (Europe) Limited ("the Company") for the year ended 31 March 2008

PRINCIPAL ACTIVITIES

The Company is regulated by the Financial Services Authority and undertakes various business activities including the following

Institutional Stockbroking The Company operates an institutional stockbroking business, soliciting clients and introducing them to Macquarie Capital Securities (Australia) Limited, an Australian subsidiary of Macquarie Group Limited, being the institutional stockbroking entity of the Macquarie Group. In August 2004, the Company acquired the Asian sales team from ING which commenced the institutional stockbroking business of soliciting and introducing clients to Macquarie Capital Securities Limited, a Hong Kong subsidiary of Macquarie Group Limited

Treasury & Commodities The Company acted as agent for Macquarie Bank Limited, by receiving metals and mining, agricultural commodities and energy market client introductions from a United States company within the Macquarie Group and introducing these clients to Macquarie Bank Limited. The agricultural commodity and energy divisions of the Company also undertook marketing activities for Macquarie Bank Limited. Post the group restructure (see below), the Treasury & Commodities division ceased to transact through the Company

Equities Research The Company provides equity research services to various divisions within the Macquarie Group

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

Corporate Advisory The Company undertakes advisory activities in the United Kingdom and Europe. The Paris branch of the Company also employs Macquarie Capital Funds employees who assist in the management of assets managed by Macquarie Capital Funds (Europe) Limited

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

On 27 September 2007 the Company paid an interim dividend to its immediate parent Macquarie European Holdings Pty Limited of £5,000,000. On the same date, the Company issued 5,000,000 ordinary shares at £1 per share to Macquarie European Holdings Pty Limited. On 22 October 2007 the Company paid an interim dividend to its immediate parent Macquarie European Holdings Pty Limited of £1,800,000. On the same date, the Company issued 1,800,000 ordinary shares at £1 per share to Macquarie European Holdings Pty Limited

On 22 October 2007, Macquarie Group Holdings (UK) No 3 Limited, a subsidiary of Macquarie Group Limited, purchased all the ordinary shares in the Company from Macquarie European Holdings Pty Limited for £13,900,000. The transfer of ownership was part of the Macquarie Group restructure (see below)

On 1 November 2007, the Company changed its name from Macquarie Europe Limited to Macquarie Capital (Europe) Limited

On 13 November 2007, the ultimate parent of Macquarie Capital (Europe) Limited changed to Macquarie Group Limited after the Macquarie Group became a non-operating holding company structure. This restructure resulted in Macquarie Group Limited being established as the ultimate parent of the Macquarie Group

MACQUARIE CAPITAL (EUROPE) LIMITED

DIRECTORS' REPORT (CONTINUED)**REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)**

On 17 March 2008, Macquarie Capital (Europe) Limited registered an Amsterdam branch

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

POST BALANCE SHEET DATE EVENTS

At the date of this report, the directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2008 not otherwise disclosed in this report

RESULTS AND DIVIDENDS

The Company's profit after tax for the year amounts to £3,009,545 (2007 £663,885 profit) Interim dividends of £5,000,000 and £1,800,000 were paid on 27 September 2007 and 22 October 2007 respectively (2007 £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group Accordingly, the principal risks and uncertainties of Macquarie Group Limited, which include those of the Company, are discussed in its financial statements and can be obtained from the address given in Note 23

KEY PERFORMANCE INDICATORS ("KPIs")

Given the straightforward nature of the business and the information provided elsewhere in this report, the directors are of the opinion that the production of KPIs in the Directors' Report is not necessary for an understanding of the development, performance or position of the business The KPIs of the Company are monitored at the Macquarie Group level

FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks that include the effects of changes in derivative market prices, credit risk, liquidity risk and interest rate risk The Company is subject to the Macquarie Group's Risk Management programme that seeks to limit adverse effects on the financial performance of the Company

Price risk

The Company does not generally take market risk In the event that a trade that generates market risk is taken, this risk is transferred to its ultimate parent, Macquarie Group Limited or another Macquarie Group member The directors have adopted the risk model used by the Macquarie Group, as approved by the Risk Management Group This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively

MACQUARIE CAPITAL (EUROPE) LIMITED

DIRECTORS' REPORT (CONTINUED)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

The Company mitigates its material credit risk exposures through guarantee and indemnity arrangements with its ultimate parent, Macquarie Group Limited and Macquarie Capital Group Pty Limited (UK Branch), respectively. Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk framework, as established by the Risk Management Group.

Liquidity risk

The directors have adopted the risk model used by the Macquarie Group, as approved by the Risk Management Group. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances and receivables from other Macquarie Group undertakings, all of which earn a variable rate of interest. Interest bearing liabilities include payables to Macquarie Group undertakings, which also incur a variable rate of interest.

Foreign exchange risk

The Company has foreign exchange exposures which include amounts receivable from and payable to Macquarie Group undertakings which are denominated in non-functional currencies. Material non-functional currency exposures are managed by transferring the exposure to Macquarie Capital Group Limited.

DIRECTORS

The directors holding office during the year were as follows:

A Hunter		
I Learmonth		
C Nelson		
R Tallentire		
A Watson	(appointed 8 February 2008)	
G Conway	(appointed 26 February 2008)	
R Frost	(appointed 23 August 2007)	(resigned 11 January 2008)
P Plewman	(appointed 8 June 2007)	(resigned 1 November 2007)
J Craig	(resigned 18 April 2008)	
M Baillie	(resigned 1 November 2007)	
W Leamon	(resigned 1 November 2007)	
G Austen	(resigned 27 July 2007)	
S Grenfell	(resigned 9 July 2007)	
B Preston	(resigned 23 May 2007)	

MACQUARIE CAPITAL (EUROPE) LIMITED

DIRECTORS' REPORT (CONTINUED)**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

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

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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
15 June 2008



MACQUARIE CAPITAL (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACQUARIE CAPITAL (EUROPE) LIMITED

We have audited the financial statements of Macquarie Capital (Europe) Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

26 June 2008

MACQUARIE CAPITAL (EUROPE) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 £	Restated 2007 £
Turnover		69,002,157	29,638,122
Administrative expenses		<u>(64,247,164)</u>	<u>(28,273,655)</u>
		4,754,993	1,364,467
Other operating (charges)/income		<u>(221,287)</u>	<u>157,453</u>
OPERATING PROFIT		4,533,706	1,521,920
Other interest receivable and similar income	3	3,845,989	2,428,482
Interest payable and similar charges	4	<u>(3,584,003)</u>	<u>(2,461,843)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	4,795,692	1,488,559
Tax on profit on ordinary activities	7	<u>(1,786,147)</u>	<u>(824,674)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>3,009,545</u>	<u>663,885</u>

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

The notes on pages 12 to 25 form part of these financial statements

MACQUARIE CAPITAL (EUROPE) LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008**

	2008 £	2007 £
Profit for the financial year	3,009,545	663,885
Exchange adjustments (note 21)	484,453	(127,164)
Total recognised gains for the financial year	<u>3,493,998</u>	<u>536,721</u>

The notes on pages 12 to 25 form part of these financial statements

MACQUARIE CAPITAL (EUROPE) LIMITED**BALANCE SHEET AS AT 31 MARCH 2008**

	Notes	2008 £	2007 £
FIXED ASSETS			
Investments	11	1	1
Tangible assets	12	838,310	591,989
		<u>838,311</u>	<u>591,990</u>
CURRENT ASSETS			
Debtors	13	30,495,998	27,965,622
Deferred tax asset	8	718,886	237,770
Cash at bank and in hand	14	27,715,327	17,337,815
		<u>58,930,211</u>	<u>45,541,207</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(27,852,586)	(9,815,613)
NET CURRENT ASSETS		<u>31,077,625</u>	<u>35,725,594</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(6,500,000)	(6,500,000)
PROVISION FOR LIABILITIES AND CHARGES	17	(6,395,461)	(14,904,169)
TOTAL NET ASSETS		<u>19,020,475</u>	<u>14,913,415</u>
CAPITAL AND RESERVES			
Called up share capital	18	8,901,000	2,101,000
Share premium reserve	18	4,999,000	4,999,000
Option reserve	19	1,330,525	717,463
Foreign currency revaluation reserve	21	366,304	(118,149)
Profit and loss account		<u>3,423,646</u>	<u>7,214,101</u>
SHAREHOLDERS' FUNDS	22	<u>19,020,475</u>	<u>14,913,415</u>

The notes on pages 12 to 25 form part of these financial statements

The financial statements on pages 9 to 25 were approved by the board of directors on 25 June 2008 and were signed on its behalf by

C Nelson
Director



MACQUARIE CAPITAL (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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 financial derivative instruments to market value as disclosed below, and with applicable accounting standards

On 13 November 2007, the ultimate parent of Macquarie Capital (Europe) Limited changed to Macquarie Group Limited after the Macquarie Group became a non-operating holding company structure. The restructure resulted in Macquarie Group Limited being established as the ultimate parent of the Macquarie Group. For comparative reasons, references to the 'ultimate parent undertaking' in the prior year have been restated to 'other Macquarie Group undertakings'.

The particular policies adopted are described below as follows

a) TURNOVER

Turnover includes

- (i) Advisory fee income which is subject to a fee sharing arrangement with Macquarie Capital Group Limited and is brought to account on an accruals basis,
- (ii) Brokerage commission income from trades introduced to Macquarie Capital Securities (Australia) Limited and Macquarie Capital Securities Limited is calculated at cost plus a markup and is brought to account in accordance with service agreements in place,
- (iii) Research income is derived by charging divisions within the Macquarie Group in accordance with inter-divisional recovery policies in place,
- (iv) 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, and
- (v) Profit and loss arising on securities held for resale less, where appropriate, direct charges are brought to account by reference to securities traded during the period

b) OTHER OPERATING INCOME/(CHARGES)

Gains and losses arising from foreign currency exposure, other than foreign branch translation which are explained in (d) below, are accounted for as other operating income or charges respectively

c) INTEREST

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

MACQUARIE CAPITAL (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

d) FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Profits and losses of branches which have currencies of operation other than sterling are translated into sterling at average rates of exchange. 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.

Exchange differences arising from the translation of the Company's foreign branches, which have currencies of operation other than sterling, are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end. Other exchange differences are taken to the profit and loss account.

e) TAXATION AND DEFERRED TAXATION

The charge for taxation is based on the result 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) FIXED ASSET INVESTMENTS

Investments, including investments in subsidiary undertakings, are recorded at cost less provision for impairment. Where the directors are of the opinion that there has been a permanent diminution in the value of investments, the carrying amount of such investments is written down to their recoverable amount. The impairment of fixed asset investment is recognised as an expense in the Profit and Loss Account.

MACQUARIE CAPITAL (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****h) IMPAIRMENT**

Tangible fixed assets are reviewed for impairment if there are events or changes in circumstances that indicate that the carrying values may not be recoverable

i) CASH AT BANK AND IN HAND

Cash at bank and in hand comprises cash on hand and deposits held at call with banks

j) 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

k) EMPLOYEE INCENTIVE SCHEMES

Employee incentive schemes include bonuses which may be retained by the Company and paid to the employee over four years. Where such retention occurs the retained portion is recorded under Employee Retentions within Debtors and amortised over the retention period.

The ultimate parent undertaking, Macquarie Group Limited, operates an Employee Option Plan ("the Plan"), a share-based compensation plan which includes granting options to employees of the Company. The particulars of the Plan are further explained in Note 20.

l) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****2 SEGMENTAL REPORTING****Geographical Segments**

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2008	2007	2008	2007	2008	2007
	£	£	£	£	£	£
United Kingdom	61,726,890	23,557,577	7,107,779	3,404,150	15,955,617	11,074,079
Germany	4,957,985	4,841,880	787,417	198,936	662,590	393,730
France	1,048,326	232,370	(3,156,365)	(2,200,875)	2,300,717	3,402,831
Switzerland	1,268,956	1,002,758	56,861	82,981	101,551	41,025
United States	-	3,537	-	3,367	-	1,750
	<u>69,002,157</u>	<u>29,638,122</u>	<u>4,795,692</u>	<u>1,488,559</u>	<u>19,020,475</u>	<u>14,913,415</u>

Business Segments

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2008	2007	2008	2007	2008	2007
	£	£	£	£	£	£
Institutional						
Stockbroking	28,890,740	17,512,127	7,564,454	1,904,630	25,628,830	8,643,380
Corporate						
Advisory	24,161,721	88,677	(2,413,252)	(3,251,819)	867,816	6,288,209
Equities Research	5,562,841	3,441,144	363,159	188,838	1,104,312	15,111
Equity Markets	3,629,087	5,637,132	554,687	1,507,594	3,414,555	10,173,014
Treasury &						
Commodities	6,757,768	1,979,380	595,130	243,426	45,122	297,451
Other *	-	979,662	(1,868,486)	895,890	(12,040,160)	(10,503,750)
	<u>69,002,157</u>	<u>29,638,122</u>	<u>4,795,692</u>	<u>1,488,559</u>	<u>19,020,475</u>	<u>14,913,415</u>

* Profit share provision for employees from various business segments have been allocated to the various segments in arriving at the profit and loss figures but not for balance sheet purposes

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	2008 £	Restated 2007 £
Interest receivable from other Macquarie Group undertakings	2,609,315	2,395,949
Interest receivable from unrelated parties	1,236,674	32,533
	<u>3,845,989</u>	<u>2,428,482</u>

Interest receivable/payable (Note 4) from/to other Macquarie Group undertakings has been disclosed on a gross basis in the profit and loss account, this had been stated net in prior years. 2007 figures have been restated to reflect the change. The balance sheet has been disclosed on a net basis with no change on the basis that there is still a legal right of offset and an intention to settle net or simultaneously.

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	Restated 2007 £
Interest payable to other Macquarie Group undertakings	3,581,668	2,457,499
Interest payable to unrelated parties	2,335	4,344
	<u>3,584,003</u>	<u>2,461,843</u>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting)

	2008 £	2007 £
Foreign exchange losses/(gains)	221,287	(157,453)
Staff costs	10,114,955	7,329,300
Staff resourcing charge from Macquarie Group undertakings	17,249,400	13,661,737
Depreciation expense	327,250	248,854
Auditors' remuneration		
Audit services	32,014	32,736
Non-audit services	1,185	3,494

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****6 EMPLOYEE INFORMATION**

The average number of persons employed by the Company during the year calculated on a quarterly basis was

By activity	2008	2007
Production and sales	25	18
Administration	5	4
	<u>30</u>	<u>22</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES**Analysis of tax charge for the year**

	2008 £	2007 £
Current tax		
UK corporation tax at 30% (2007 30%)	2,081,212	568,368
Overseas tax suffered	(604,413)	(562,050)
Foreign tax relief	582,156	498,528
Adjustments to tax in respect of prior years	208,308	469,838
Total current tax	<u>2,267,263</u>	<u>974,684</u>
Deferred tax		
Origination and reversal of timing differences	(272,651)	206,318
Adjustments to tax in respect of prior years	(208,465)	(356,328)
Total deferred tax	<u>(481,116)</u>	<u>(150,010)</u>
Tax on profit on ordinary activities	<u>1,786,147</u>	<u>824,674</u>

Factors affecting tax charge for the year

The taxation charge for the year is higher (2007 higher) than the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below

	2008 £	2007 £
Profit on ordinary activities before taxation	4,795,692	1,488,559
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2007 30%)	1,438,708	446,568
Effects of		
Expenses not deductible for tax purposes	369,853	328,118
Accelerated capital allowance	12,369	14,105
Other timing differences	260,282	(220,423)
Additional tax expense/(credit) from overseas operations	(22,257)	(63,522)
Adjustments to tax in respect of prior years	208,308	469,838
	<u>2,267,263</u>	<u>974,684</u>

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****8 DEFERRED TAX ASSET**

	2008	2007
	£	£
At 1 April	237,770	87,760
Timing differences		
Amount credited/(charged) to profit and loss (note 7)	272,651	(206,318)
Adjustments to tax in respect of prior years	208,465	356,328
Deferred tax asset recognised at 31 March	718,886	237,770
Comprising		
Accelerated capital allowance	18,951	9,455
Other timing differences	699,935	228,315
Deferred tax asset recognised at 31 March	718,886	237,770

9 DIVIDENDS PAID

	2008	2007
	£	£
Equity – Ordinary		
Interim paid in September 2007 238p (2007 nil) per share	5,000,000	-
Interim paid in October 2007 25p (2007 nil) per share	1,800,000	-
	6,800,000	-

10 DIRECTORS' REMUNERATION

During 2007 and 2008 the directors were employed by, and received all emoluments from, other Macquarie Group undertakings. There is no allocation of their emoluments to the Company as it would be impractical to do so, accordingly, no separate remuneration has been disclosed.

11 FIXED ASSET INVESTMENTS

	2008	2007
	£	£
Investment in Macquarie Avenir No 1 Pty Limited	0.50	0.50
Investment in Macquarie Avenir No 2 Pty Limited	0.50	0.50
	1	1

Macquarie Avenir No.1 Pty Limited

The Company holds 0.01% of the share capital in Macquarie Avenir No 1 Pty Limited, at a cost of A\$1. Macquarie Avenir No 1 Pty Limited is an Australian incorporated company and acts as a financing and investing company.

Macquarie Avenir No 2 Pty Limited

The Company holds 0.01% of the share capital in Macquarie Avenir No 2 Pty Limited, at a cost of A\$1. Macquarie Avenir No 2 Pty Limited is an Australian incorporated company and acts as a financing and investing company.

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****12 TANGIBLE FIXED ASSETS**

	Office furniture, fixtures, fittings and computers £
COST	
At 1 April 2007	1,046,063
Additions	634,199
Disposals	(119,766)
At 31 March 2008	<u>1,560,496</u>
ACCUMULATED DEPRECIATION	
At 1 April 2007	454,074
Charge for the year	327,250
Disposals	(59,138)
At 31 March 2008	<u>722,186</u>
NET BOOK AMOUNT	
31 March 2008	<u>838,310</u>
31 March 2007	<u>591,989</u>

13 DEBTORS

	2008 £	2007 £
Amounts owed by other Macquarie Group undertakings	21,540,935	21,099,529
Fees receivable	6,138,937	-
Employee retentions	2,084,835	3,938,175
Taxation	223,448	2,203,189
VAT recoverable	-	279,818
Other debtors	507,843	444,911
	<u>30,495,998</u>	<u>27,965,622</u>

Included in Employee retentions is an amount of £1,092,963 (2007 £2,686,109) due to be amortised in more than one year

Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on amounts owed by other Macquarie Group undertakings at market rates and at 31 March 2008 the rate applied was between LIBOR plus 0.63% and LIBOR plus 0.85% (2007 between LIBOR plus 0.05% and LIBOR plus 0.68%). The Company has a legally enforceable right of set off and intends to settle on a net basis.

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****14 CASH AT BANK AND IN HAND**

	2008	Restated 2007
	£	£
Cash held with Macquarie Bank Limited	25,823,319	16,974,632
Cash held with other banks	1,891,534	362,468
Cash on hand	474	715
	<u>27,715,327</u>	<u>17,337,815</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	Restated 2007
	£	£
Amounts owed to other Macquarie Group undertakings	24,705,775	8,945,566
Taxation	736,748	285,457
VAT payable	73,413	-
Other creditors	2,336,650	584,590
	<u>27,852,586</u>	<u>9,815,613</u>

Amounts owed to other Macquarie Group undertakings for intercompany loans are unsecured and have no fixed date of repayment. The Company incurs interest on intercompany loans at market rates and at 31 March 2008 the rate applied was LIBOR plus 0.85% (2007 LIBOR plus 0.31%). The Company has a legally enforceable right of set off and intends to settle on a net basis.

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008	2007
	£	£
Subordinated loans	6,500,000	6,500,000
	<u>6,500,000</u>	<u>6,500,000</u>

On 1 November 2007, the Company repaid its subordinated loan facility from Macquarie Bank Limited of £6,500,000. On the same date, the Company was granted a subordinated loan facility of £10,000,000 from Macquarie Capital Group Limited (UK branch), a subsidiary undertaking of Macquarie Group Limited. To date £6,500,000 has been drawn from this facility. The loan has no fixed maturity date and is repayable at the option of the Company on or after five years from the date of the agreement. Interest is calculated on a daily basis at LIBOR plus 100 basis points. At 31 March 2008, the rate applied was 6.74% (2007 7.47%).

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****17 PROVISION FOR LIABILITIES AND CHARGES**

	2008	2007
	£	£
1 April	14,904,169	8,992,924
Paid during the year	(10,653,153)	(7,140,049)
Transfer of provision due to group restructure	(2,179,803)	-
Charged to profit and loss	3,526,264	10,630,670
Charged to profit and loss – foreign exchange movement	(12,610)	(67,630)
Deferred as employee retentions	810,594	2,488,254
31 March	<u>6,395,461</u>	<u>14,904,169</u>

A provision of £4,336,858 (2007 £13,118,924) has been made in relation to current year bonuses payable to staff employed by the Company

Maturity profile of provision

	2008	2007
	£	£
Within 1 year	3,753,658	10,653,153
Between 1 and 2 years	697,515	521,524
Between 2 and 5 years	1,944,288	3,729,492
	<u>6,395,461</u>	<u>14,904,169</u>

18 SHARE CAPITAL

	2008	2007
	£	£
AUTHORISED		
8,901,000 ordinary shares of £1 each (2007 2,101,000)	<u>8,901,000</u>	<u>2,101,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
Ordinary shares of £1 each	8,901,000	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>13,900,000</u>	<u>7,100,000</u>

During the year, the Company increased its authorised share capital by 6,800,000 ordinary shares to 8,901,000 ordinary shares

During the year, the Company issued 6,800,000 ordinary shares at £1 per share to Macquarie European Holdings Pty Limited. On 22 October 2007, Macquarie Group Holdings (UK) No 3 Limited, a subsidiary of Macquarie Group Limited, purchased all the ordinary shares in the Company from Macquarie European Holdings Pty Limited for £13,900,000. The transfer of ownership was part of the Macquarie Group restructure.

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****19 OPTION RESERVE**

	2008	2007
	£	£
1 April as previously reported	717,463	78,280
Movement on option valuation	613,062	639,183
31 March	1,330,525	717,463

20 EMPLOYEE SHARE COMPENSATION

Prior to the Group restructure, Macquarie Bank Limited ("MBL") operated an Employee Option Plan where options over MBL shares were granted to employees. This plan ceased on restructure date and options on MBL shares were exchanged for options on Macquarie Group Limited ("MGL") shares.

MGL now operates the Employee Option Plan ("the Plan"), which includes granting options to employees of MBL and its controlled entities. Staff eligible to participate are those of Associate Director level and above and certain consultants to the Company. At 31 March 2008 there were 11 employees (2007: 39) of the Company who were participants in the Plan. The options are measured at their grant dates based on their fair value and the number expected to vest. This amount is recognised as an expense evenly over the respective vesting periods and the equity provided is treated as a capital contribution. For the year ended 31 March 2008, compensation expense relating to the Plan totalled £613,062 (2007: £639,183).

The fair value of each option is estimated on the date of grant using a trinomial option pricing framework. The following key assumptions have been adopted for grants made in the current financial year: risk free interest rate 7.04% (weighted average), expected life of options four years, volatility of share price 20% and dividend yield 3.43% per annum.

Options, currently for five years, over fully paid unissued ordinary MGL shares are granted to Bond Street Custodians Limited as nominee for the individual or the individual's controlled company or an entity approved under the Plan to hold options on trust for an individual.

The options are issued for no consideration and are granted at prevailing market prices. Prior to 21 November 2003, the exercise price of new options granted was generally based on the weighted average market price during the month prior to acceptance of employment for new employees or during the calendar month of June in respect of options granted as a result of annual promotions and compensation reviews. From 21 November 2003 until 25 November 2004, the exercise price of new options granted was generally based on the weighted average market price during the one week period prior to the date of grant of the options. From 26 November 2004, the exercise price of new options granted is generally based on the weighted average market price during the one week up to and including the date of grant of the options.

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****20 EMPLOYEE SHARE COMPENSATION (CONTINUED)**

The following is a summary of options which have been granted pursuant to the Plan. MGL stock is quoted in Australian Dollars (A\$), and therefore the table is quoted in A\$

	Number of options 2008	Weighted average exercise price 2008 A\$	Number of options 2007	Weighted average exercise price 2007 A\$
Outstanding at the beginning of the financial year	541,601	53.55	451,335	43.48
Granted during the financial year	161,615	73.85	216,655	62.97
Forfeited during the financial year	(8,412)	56.56	(23,047)	42.97
Exercised during the financial year	(54,993)	41.99	(103,342)	31.70
Transfers to related entities	(532,551)	58.14	-	-
Outstanding at the end of the financial year	107,260	67.03	541,601	53.55
Exercisable at the end of the financial year	15,263	48.14	30,260	33.87

For options exercised during the financial year the weighted average share price at the date of exercise was A\$80.83 (2007: A\$69.02)

The range of exercise prices for options outstanding at the end of the financial year was A\$29.46 to A\$90.83 (2007: A\$28.74 to A\$75.57)

The weighted average remaining contractual life for the share options outstanding as at 31 March 2008 is 3.4 years (2007: 3.4 years)

The weighted average remaining contractual life when analysed by exercise price range is

Exercise price range (\$)	Number of options 2008	Year 2008	Number of options 2007	Year 2007
20 – 30	5,000	0.5	19,402	1.4
30 – 40	4,336	1.4	145,777	2.3
40 – 50	5,000	1.8	10,267	2.8
50 – 60	-	-	-	-
60 – 70	44,794	3.1	343,155	3.9
70 – 80	26,530	4.4	23,000	4.3
80 – 90	10,600	4.2	-	-
90-100	11,000	4.3	-	-
	107,260	3.4	541,601	3.4

The weighted average fair value of options granted during the financial year was A\$12.14 (2007: A\$12.44)

MACQUARIE CAPITAL (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****20 EMPLOYEE SHARE COMPENSATION (CONTINUED)**

The market value of shares issued during the year as a result of the exercise of these options was A\$4,430,229 (2007 A\$7,132,492)

The market value of shares which would be issued from the exercise of the outstanding options at 31 March 2008 was A\$5,665,474 (2007 A\$44,817,483) No unissued shares, other than those referred to above, are under option as at the date of this report

Options granted vest as to one third of each tranche after the second, third and fourth anniversaries of the date of commencement of employment for new starters and, for existing employees, on 1 July two, three and four years after the allocation of the options Subject to staff trading rules, options can be exercised after the vesting period at any time up to expiry In individual cases, such as where an employee leaves with the Company's agreement towards the end of a vesting period, the Company's Executive Committee has the power to waive the remainder of any vesting period and allow exercise of some or all of the relevant options

21 FOREIGN CURRENCY REVALUATION RESERVE

	2008	2007
	£	£
Opening foreign currency revaluation reserve	(118,149)	9,015
Movements in reserve during the year	484,453	(127,164)
Closing foreign currency revaluation reserve	<u>366,304</u>	<u>(118,149)</u>

Exchange differences arising from the translation the Company's foreign branches, which have currencies of operation other than sterling, are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	2007
	£	£
Profit for the financial year	3,009,545	663,885
Dividends paid	(6,800,000)	-
Retained (loss)/profit for the financial year	(3,790,455)	663,885
Ordinary shares issued during the year	6,800,000	-
Movement in option reserve	613,062	639,183
Movement in foreign currency translation reserve	484,453	(127,164)
Net addition to shareholders' funds	4,107,060	1,175,904
Opening shareholders' funds	14,913,415	13,737,511
Closing shareholders' funds	<u>19,020,475</u>	<u>14,913,415</u>

MACQUARIE CAPITAL (EUROPE) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008
(CONTINUED)****23 ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking and controlling party of Macquarie Capital (Europe) Limited, which is the parent undertaking of the largest group to prepare consolidated financial statements, is Macquarie Group Limited, a company incorporated in Australia. Copies of group financial statements for Macquarie Group Limited can be obtained from the Company Secretary, Level 7, No 1 Martin Place, Sydney, New South Wales, 2000, Australia.

24 RELATED PARTY TRANSACTIONS

As 100% of the voting rights of the Company are controlled within the group headed by Macquarie Group 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 Group. The consolidated financial statements of Macquarie Group Limited, within which the Company is included, can be obtained from the address given in Note 23.

25 CASH FLOW STATEMENT

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