Macquarie Capital (Europe) Limited

COMPANY NUMBER 3704031

MACQUARIE

Directors' Report and Financial Statements
for the financial year ended 31 March 2013

The Company's registered office is
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD

2013 Directors' Report and Financial Statements
Contents

Macquarie Capital (Europe) Limited

Directors' Report
for the financial year ended 31 March 2013

In accordance with a resolution of the directors ("the Directors") of Macquarie Capital (Europe) Limited ("the Company"), the Directors submit herewith the audited financial statements of the Company and report as follows

Directors and Secretaries

The Directors who held office as a Director of the Company throughout the period and until the date of this report, unless disclosed otherwise, were

G Conway	(resigned on 11 May 2012)
D Fass	
M Gummer	(appointed on 6 March 2013)
R Tallentire	(resigned on 14 January 2013)
J Wentzel	

At the date of this report, unless otherwise disclosed, the Secretaries of the Company are

H Everitt	
J Greenfield	(resigned on 3 May 2013)

Principal activities

The principal activities of the Company during the financial year ended 31 March 2013 were

Cash Equities

The Company operates an institutional stockbroking business, acting as principal with external clients and the market, and as a market maker for a number of European equities The Company also undertakes the activity of soliciting clients and introducing them to the other members of the Macquarie Group Settlement operations have been outsourced to a third party

Equities Research

The Company provides equity research services to clients

Structured Products & Exotics

The Company employs staff who provide execution, settlement, issuance, arrangement and market making services to other members of the Macquarie Group

Corporate Advisory

The Company undertakes advisory activities in the United Kingdom, the Republic of Ireland and Continental Europe

The principal activities of the Company are undertaken in the United Kingdom and through its European branches

Results and revenue

The loss after income tax attributable to ordinary equity holders for the financial year ended 31 March 2013 was £22,244,814 (2012 £26,472,891)

Dividends paid or provided for

No dividends were paid or provided for during the financial year (2012 nil) No final dividend has been proposed

Directors' Report (continued)
for the financial year ended 31 March 2013

State of affairs
On 31 October 2012, the Company issued 10,000,000 ordinary shares of £1 each to its immediate parent It further issued 10,000,000 ordinary shares of £1 each to its immediate parent on 27 March 2013

The structured products and exotics business is being wound down No new business is being undertaken in the current year

There were no other significant changes in the state of the affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report

Review of operations
The loss for the financial year ended 31 March 2013 was £22,244,814, a decrease of 16 per cent from £26,472,891 in the previous year

Operating loss for the year ended 31 March 2013 was £20,394,497, a decrease of 27 per cent from a loss of £27,795,580 in the previous year This is as a result of increased profits in the advisory business due to an increase in fees earned from advisory projects and decreased losses in the Macquarie Securities Group

Total operating expenses for the year ended 31 March 2013 were £142,043,181 a decrease from £217,792,883 in the previous year primarily due to the wind-down of the structured products & exotics business

Events after the reporting year
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 2013 not otherwise disclosed in this report

Likely developments, business strategies and prospects
The Directors believe that no significant changes are expected other than those already disclosed in this report

Creditor 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

Indemnification and insurance of Directors
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force The ultimate parent purchased and maintained throughout the financial year Directors' liability insurance in respect of the Company and its Directors

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 and are not managed separately Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Company, are discussed in its financial statements and can be obtained from the address given in Note 27

Directors' Report (continued)
for the financial year ended 31 March 2013

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 KPIs are monitored at the Macquarie Group level

Financial risk management
Risk is an integral part of the Macquarie Group's businesses The Company is exposed to a variety of financial risks that include the effects of credit risk, liquidity risk, operational risk and market risk Additional risks faced by the Company include legal, compliance and documentation risk Responsibility for management of these risks lies with the individual businesses giving rise to them It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks

As ultimately an indirect subsidiary of MGL, the Company manages risk within the framework of the overall strategy and risk management structure of the Macquarie Group RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director and the Board of MGL The Head of RMG is a member of the Executive Committee of MGL RMG authority is required for all material risk acceptance decisions RMG identifies, quantifies and assesses all material risks and sets prudential limits Where appropriate, these limits are approved by the Executive Committee and the Board of MGL

The risks which the Company is exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations Macquarie's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions

Credit risk
The Company mitigates its material credit risk exposures through guarantee arrangements with its ultimate parent, MGL, and indemnity arrangements with Macquarie Capital Group Limited ("MCG") Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk framework, as established by RMG

Liquidity risk
Liquidity risk is the risk of a company encountering difficulty in meeting obligations with financial liabilities The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively

Market risk
The Company is exposed to market risk through its facilitation and market making activities The directors have adopted the risk model used by the Macquarie Group, as approved by RMG This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively In addition, the directors have approved RMG imposed cash limits on positions taken by the Cash Equities business

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 and external parties, all of which earn a variable rate of interest Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, 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 other Macquarie Group undertakings and external parties which are denominated in non-local currencies Any material non-functional currency exposures are managed by applying a group wide process of minimising exposure at an individual company level

Directors' Report (continued)
for the financial year ended 31 March 2013

Statement of Directors' responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each financial year Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the Financial Statements unless they are satisfied that they 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 these 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, and
- 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

Independent Auditors
Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment As at the date of these financial statements the Directors are not aware of any resolution to terminate the appointment of the auditors

On behalf of the Board

Matthew Gummer

Matthew Gummer
Director
17 July 2013

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 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report and financial report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

Independent Auditors' Report to the members of Macquarie Capital (Europe) Limited (continued)

Matters on which we are required to report by exception (continued)

- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Carl Sizer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 July 2013

Macquarie Capital (Europe) Limited

Profit and loss account
for the financial year ended 31 March 2013

	Notes	2013 £	2012 £
Turnover	1 (v)	**121,241,459**	188,203,223
Administrative expenses		**(142,043,181)**	(217,792,883)
Other operating income		**407,225**	1,794,080
Operating loss		**(20,394,497)**	(27,795,580)
Interest receivable and similar income	3	**6,272,474**	5,511,684
Interest payable and similar charges	4	**(8,917,838)**	(7,431,440)
Impairment of intangible assets	6	**(2,393,714)**	-
Loss on ordinary activities before taxation		**(25,433,575)**	(29,715,336)
Tax credit on loss on ordinary activities	5	**3,188,761**	3,242,445
Loss for the financial year		**(22,244,814)**	(26,472,891)

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

There are no material differences between the loss on ordinary activities before taxation and the loss for the years stated above and their historical cost equivalents

The above profit and loss account should be read in conjunction with the accompanying notes on pages 11 to 30

Statement of total recognised gains and losses for the financial year ended 31 March 2013

	Notes	2013 £	2012 £
Loss after tax for the financial year		**(22,244,814)**	(26,472,891)
Other recognised (losses)/gains			
Actuarial loss on pension scheme	28	**(404,524)**	(75,763)
Deferred tax associated with actuarial loss	17	**226,377**	33,005
Exchange differences on translation of foreign operations, net of tax	17	**(949,871)**	278,573
Total other recognised (losses)/gains for the financial year		**(1,128,018)**	235,815
Total recognised loss for the financial year		**(23,372,832)**	(26,237,076)
Total recognised loss for the financial year that is attributable to			
Ordinary equity holders of Macquarie Capital (Europe) Limited		**(23,372,832)**	(26,237,076)

The above statement of total recognised gains and losses should be read in conjunction with the accompanying notes on pages 11 to 30

Macquarie Capital (Europe) Limited

Balance sheet
as at 31 March 2013

	Notes	2013 £	2012 £
Fixed assets			
Intangible assets	6	-	3,829,942
Tangible assets	7	**500,175**	1,990,725
Investment	8	**1**	1
		500,176	5,820,668
Current assets			
Deferred tax assets	9	**5,300,833**	2,854,742
Debtors	10	**341,548,785**	801,323,352
Investment	11	**2,493,440**	-
Cash at bank and in hand	12	**21,742,069**	26,800,093
		371,085,127	830,978,187
Current liabilities			
Creditors amounts falling due within one year	13	**(329,041,096)**	(779,335,464)
Net current assets		**42,044,031**	51,642,723
Total assets less current liabilities		**42,544,207**	57,463,391
Creditors amounts falling due after more than one year	14	**(10,000,000)**	(10,000,000)
Provisions for liabilities and charges	15	**(9,197,046)**	(20,436,509)
Net assets excluding pension asset		**23,347,161**	27,026,882
Pension asset	28	**388,546**	75,650
Net assets including pension asset		**23,735,707**	27,102,532
Capital and reserves			
Called up share capital	16	**80,901,000**	60,901,000
Share premium account	16	**4,999,000**	4,999,000
Equity contribution from ultimate parent	16	**1,807,047**	1,801,040
Other reserves	17	**(862,860)**	265,158
Profit and loss account	17	**(63,108,480)**	(40,863,666)
Total shareholders' funds	18	**23,735,707**	27,102,532

The above balance sheet should be read in conjunction with the accompanying notes on pages 11 to 30

The financial statements on pages 8 to 30 were approved by the board of directors on 17 July 2013 and were signed on its behalf by

Matthew Gummer

Matthew Gummer
Director

Notes to the financial statements for the financial year ended 31 March 2013

Note 1. Summary of significant accounting policies

i) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006, and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as a parent of a group The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Macquarie Group Limited, a company incorporated in Australia

The principal accounting policies adopted in the preparation of this financial report and that of the previous financial year are set out below These policies have been consistently applied to all the financial years presented, unless otherwise stated

New accounting standards that are not yet effective

FRS 100 Application of Financial Reporting Requirements, FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

The three standards will replace the existing United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ("UK GAAP"))

FRS 100 sets out the financial reporting requirements for UK and Republic of Ireland entities The framework provides entities with the option for the basis of preparation of the financial statements, Financial Reporting Standard for Smaller Entities ("FRSSE") (only for eligible entities), FRS 101, FRS 102 or EU-adopted International Financial Reporting Standards ("EU-IFRS")

FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS Financial statements prepared under the standard will be defined as Companies Act accounts under the Companies Act 2006

FRS 102 provides a single financial reporting standard that applies to the financial statements of entities that are not applying EU adopted IFRS or FRS 101 The FRS requirements are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs") but have retained some of the accounting options which exist under the existing UK GAAP and are permitted under IFRS but are not included within IFRS for SMEs

The standards are effective for annual reporting beginning on or after 1 January 2015 with early application permitted The Company is continuing to assess which of FRS 101, FRS 102 or EU-IFRS it will adopt and the full impact of the implementation

ii) Foreign currency translations

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 are translated to the local currency 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 difference arising from the translation of the Company's foreign branches, which have local currencies other than sterling, are taken to the foreign currency translation reserve

iii) Revenue

Revenue is measured at the fair value of the consideration received or receivable Revenue is recognised for the major business activities as follows

Net interest income

Interest receivable and similar income and interest payable and similar charges are brought to account on an accrual basis Interest receivable from and payable to other Macquarie Group undertakings has been disclosed on a gross basis in the profit and loss account The balance sheet has been disclosed on a net basis as there is a legal right of set off and an intention to settle net or simultaneously

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

Note 1. Summary of significant accounting policies (continued)

iii) Revenue (continued)

Fee and commission income

Corporate advice and other fees charged in respect of services provided are brought to account as work is completed and a fee is agreed with clients and the Company becomes entitled to it Brokerage income is recognised when the related services are performed

Dividends

Interim dividends from UK companies are recognised when the dividend proceeds are received by the Company Final dividends from investments in UK companies and dividends from investments in overseas companies are recognised when the Company becomes entitled to the dividend

iv) Other operating income/(expenses)

Net gains/(losses) arising from foreign currency transactions are accounted for as other operating income/(expenses) respectively

v) Turnover

Turnover for the year comprises

a) Advisory fee income, which is subject to a a fee sharing arrangement with Macquarie Capital Group Limited,

b) Brokerage commission income from trades introduced to Macquarie Capital Securities (Australia) Limited and Macquarie Capital Securities Limited, which is calculated at cost plus a mark-up, is brought to account in accordance with service agreements in place,

c) Brokerage commission income, from trades where the Company acts as principal with external clients and the market,

d) Trading income on the Company's facilitation and market making activities,

e) Research income derived by charging divisions within the Macquarie Group, in accordance with inter-divisional recovery policies in place, and

f) Income in relation to staff who provide execution, settlement, issuance, arrangement, market making and asset management services to other members of the Macquarie Group, in accordance with service agreements in place

vi) Corporate tax

Taxation is based on the loss 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 the 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

vii) Investments and other financial assets

Investment in financial assets is classified into the following categories loans and receivables, investment in subsidiaries and current investments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market Loan assets are subject to regular review and assessment for possible impairment

Investments in subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern directly or indirectly decision-making in relation to financial and operating policies, so as to require that entity to conform with the Company's objectives Investments in subsidiary undertakings are recorded at cost less provision for impairment

Current investment

Current asset investments are held at the lower of cost and net realisable value

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

Note 1. Summary of significant accounting policies (continued)

viii) Impairment

Loans and receivables

Loan and receivables are subject to regular review and assessment for possible impairment Provisions for impairment are recognised in the profit and loss account and re-assessed at each reporting date If, in a subsequent period, the amount of impairment losses decrease and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment losses are reversed through the profit and loss account to the extent of the impairment earlier recognised Bad debts are written off in the period in which they are identified

Investments in subsidiaries

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 amounts of such investments are written down to their recoverable amount The impairment of fixed asset investments is recognised as an expense in the profit and loss account At each balance date, investments in subsidiaries that have been impaired are reviewed for possible reversal of the impairment

ix) Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any impairment losses Tangible fixed assets are reviewed for impairment annually Historical cost includes expenditure directly attributable to the acquisition of the asset

Depreciation on assets is calculated on a straight-line basis to allocate the difference between their cost and their residual values over their estimated useful lives, at the following annual rates

Furniture and fittings	10 to 20 per cent
Leasehold improvements *	20 per cent
Communication equipment	33 per cent
Computer equipment	33 to 50 per cent

* Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term

Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments If an asset's carrying value is greater than its recoverable amount due to an adjustment to its useful life, residual value or impairment, the carrying amount is written down immediately to its recoverable amount Adjustments arising from such items and on disposal of tangible fixed assets are recognised in the profit and loss account

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised in the profit and loss account

x) Intangible assets

Goodwill and intangible assets are recorded at initial fair value less accumulated amortisation charges Initial fair values of intangible assets acquired are calculated at acquisition, using a value in use model based on management expectations of revenues generated by acquired intangible assets Goodwill is initially recognised as the difference between the consideration paid and net assets acquired

Intangible assets are amortised on a straight-line basis over their estimated useful lives The annual rates of amortisation are as follows

Goodwill	20 percent

Useful lives are reviewed annually and reassessed in light of commercial developments

Impairment

For intangible assets that have a finite useful life, an assessment is made at each reporting date for indications of impairment An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of the asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (income-generating units) Intangible assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date Reversal of impairment for goodwill is not allowed

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

Note 1 Summary of significant accounting policies (continued)

xi) Provisions 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

Employee benefits

A liability for employee benefits is recognised by the entity that has the obligation to the employee Generally, this is consistent with the legal position of the parties to the employment contract

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the balance sheet at the salary rates which are expected to be paid when the liability is settled Provisions for other long-term benefits are recognised at the present value of expected future payments to be made

In determining this amount, consideration is given to expected future salary levels and employee service histories Expected future payments are discounted to their net present value using rates on high quality corporate bonds, except where there is no deep market in which case rates on the applicable government securities are used, with terms that match as closely as possible to the expected future cash flows

Provisions for unpaid employee benefits are derecognised when the benefit is settled, or is transferred to another entity and the Company is legally released from the obligation and does not retain a constructive obligation

Share based payments

The ultimate parent entity, Macquarie Group Limited, operates share-based compensation plans, which include options granted to employees and shares (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans Information relating to these schemes is set out in note 21 The Company recognises an expense for its shares and options granted to its employees by Macquarie Group Limited The shares and options are measured at the grant dates based on their fair value and using the number of equity instruments expected to vest This amount is recognised as an expense evenly over the respective vesting periods

The fair value of each option granted in prior years was estimated on the date of grant using standard option pricing techniques based on the Black-Scholes theory No grants have been made in the previous three financial years

In December 2009, Macquarie Group Limited established a new equity plan, the MEREP Restricted Share Units (RSUs)/Deferred Share Units (DSUs), have been granted in the current year in respect of 2012 The fair value of each of these grants is estimated using Macquarie Group Limited's share price on the date of grant

While RSUs/DSUs in respect of the current year's performance will be granted in the following financial year, the Company begins recognising an expense (based on an initial estimate) from 1 April of the current financial year related to these future grants The expense is estimated using Macquarie Group Limited's share price as at 31 March 2013 and the number of equity instruments expected to vest In the following financial year, the Company will adjust the accumulated expense recognised for the final determination of fair value for each RSU/DSU and will use this valuation for recognising the expense over the remaining vesting period

Where options and shares are issued by Macquarie Group Limited to employees of the Company, and Macquarie Group Limited is not subsequently reimbursed by those subsidiaries, the Company recognises the equity provided as a capital contribution from Macquarie Group Limited Where Macquarie Group Limited is reimbursed, the Company recognises any amount paid in advance (of the share-based payment to be recognised as an expense over the future vesting period) as a prepaid asset

Executive Directors' retained profit share that is no longer to be paid in cash is reversed in the current year and recognised in profit, and the equity granted are accounted for as a share-based payment from the grant date

The Company annually revises the estimates of the number of shares (including those delivered through MEREP) and options that are expected to vest It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity in Macquarie Group Limited

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued)
for the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

xii) Performance based remuneration (continued)

Profit share remuneration

The Company recognises a liability and an expense for profit share based on a formula that takes into consideration Macquarie Group Limited's profit after tax and its earnings over and above the estimated cost of capital

xiii) Cash at bank and in hand

Cash at bank and in hand comprise cash in hand and deposits repayable on demand with any qualifying financial institution Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed

xiv) Leases

Leases entered into by the Company as lessee are primarily operating leases The total fixed payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease

xv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously

xvi) Share capital

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

xvii) Defined benefit pension plan

Pension plan assets and obligations recognised in the balance sheet represent the net present value of the defined benefit obligation and the fair value of the plan assets at the balance sheet date The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability

The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension plans depends on the section of certain assumptions, which include the discount rate, inflation rate, salary growth, longevity and expected return on plan assets

Actuarial gains and losses arising from the difference between actual and expected returns on plan assets, experience adjustments on liabilities and changes in actuarial assumptions are recognised in the statement of total recognised gains and losses for the year

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

	2013 £	2012 £
Note 2 Loss on ordinary activities before taxation		
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Wages and salaries	**10,105,596**	29,700,479
Social security costs	**252,400**	793,781
Staff resourcing charge from Macquarie Group undertakings	**27,515,931**	38,509,673
Other pension costs	**44,962**	630,024
Share based payment costs	**498,821**	40,641
Staff costs	38,417,710	69,674,598
Foreign exchange (gains)/losses	**(407,225)**	357,984
Discount on acquisition	**-**	(2,152,064)
Fee allocations to other Macquarie Group undertakings	**50,757,681**	37,059,685
Internal fee and management fee expenses	**4,973,918**	7,777,095
Brokerage expenses	**12,282,486**	27,685,500
Depreciation charges	**1,297,552**	5,624,557
Amortisation of intangible assets	**1,436,228**	1,412,292
Impairment of intangible assets	**2,393,714**	-
Impairment charge of computer and communication equipment	**82,272**	2,556,484
Impairment of furniture, fittings and leasehold improvements	**40,687**	3,225,710
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	**81,803**	117,330
Fees payable to the Company's auditors for other services	**-**	-

Note 3 Interest receivable and similar income

Interest receivable from other Macquarie Group undertakings	**6,246,555**	5,466,322
Interest receivable from unrelated parties	**25,919**	45,362
Total interest receivable and similar income	6,272,474	5,511,684

Note 4 Interest payable and similar charges

Interest payable to other Macquarie Group undertakings	**8,692,800**	7,362,952
Interest payable to unrelated parties	**225,038**	68,488
Total interest payable and similar charges	8,917,838	7,431,440

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

	2013 £	2012 £

Note 5 Corporation tax benefit

	2013 £	2012 £
Analysis of tax credit for the year		
Current tax		
UK corporation tax at 24% (2012 26%)	**(4,304,219)**	(4,343,025)
Adjustments to tax in respect of prior years	**1,579,856**	123,621
Foreign tax suffered	**1,882,000**	2,355,972
Total current tax	**(842,363)**	(1,863,432)
Deferred tax		
Origination and reversal of timing differences	**(1,434,602)**	(1,558,509)
Adjustments to tax in respect of prior years	**(1,144,875)**	(71,707)
Change in tax rate	**233,079**	251,203
Total deferred tax	**(2,346,398)**	(1,379,013)
Tax on loss on ordinary activities	**(3,188,761)**	(3,242,445)

The taxation credit for the year ended 31 March 2013 is lower (2012 lower) than the standard rate of corporation tax in the United Kingdom of 24% (2012 26%) The differences are explained below

	2013 £	2012 £
Loss on ordinary activities before taxation	**(25,433,575)**	(29,715,336)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 24% (2012 26%)	**6,104,058**	7,725,987
Effects of		
Adjustment to tax charge in respect of previous periods	**(1,579,856)**	(123,621)
Capital allowance in excess of depreciation	**(351,521)**	(2,001,286)
Non deductible expenses	**(791,624)**	(1,822,614)
Foreign tax incurred	**(1,882,000)**	(2,355,972)
Deduction for foreign tax incurred	**400,002**	-
Employment expense related timing differences	**(1,100,301)**	439,886
Other timing differences	**43,605**	-
Non assessable income	**-**	1,052
	842,363	1,863,432

The UK Government reduced the main rate of corporation tax from 26% to 24% from 1 April 2012 and then from 24% to 23% from 1 April 2013 On 20 March 2013 the Government announced its intention to reduce the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015, however this has not been substantively enacted

Note 6 Intangible assets

	2013 £	2012 £
Goodwill	**-**	3,829,942
Total intangible assets	**-**	3,829,942

Reconciliation of the Company's movement in intangible assets

	Total £
Balance at the beginning of the financial year	**3,829,942**
Impairment during the financial year	**(2,393,714)**
Amortisation expense for the financial year	**(1,436,228)**
Balance at the end of the financial year	**-**

The goodwill has been fully impaired in the current year due to changes in the expected cashflows to the Company in relation to the underlying business

Notes to the financial statements (continued) for the financial year ended 31 March 2013

	2013 £	2012 £
Note 7 Tangible assets		
Furniture, fittings and leasehold improvements		
Cost	**2,414,551**	7,832,479
Less accumulated depreciation and impairment	**(1,951,969)**	(6,653,549)
Total furniture, fittings and leasehold improvements	**462,582**	1,178,930
Communication equipment		
Cost	**286,846**	283,499
Less accumulated depreciation and impairment	**(284,546)**	(106,633)
Total communication equipment	**2,300**	176,866
Computer equipment		
Cost	**8,112,537**	8,070,411
Less accumulated depreciation and impairment	**(8,077,244)**	(7,435,482)
Total computer equipment	**35,293**	634,929
Total tangible assets	**500,175**	1,990,725

Reconciliation of the movement in the Company's tangible assets at their carrying value

	Furniture, fittings and leasehold improvements £	Communication equipment £	Computer equipment £	Total £
Balance at the beginning of the financial year	1,178,930	176,866	634,929	1,990,725
Acquisitions	58,219	-	1,532	59,751
Disposals	(79,135)	-	(4,001)	(83,136)
Impairment charged	(40,687)	(82,272)	-	(122,959)
Foreign exchange movements	(18,865)	(941)	(26,848)	(46,654)
Depreciation expense	(635,880)	(91,353)	(570,319)	(1,297,552)
Balance at the end of the financial year	462,582	2,300	35,293	500,175

Note 8 Fixed asset investment

	2013 £	2012 £
Investment at cost	**1**	1
Total investment in subsidiary	**1**	1

Name of investment	Nature of business	Country of incorporation	% ownership	2013 £	2012 £
Macquarie (Europe) Nominees Limited	Nominee company	England and Wales	100%	**1**	1

The Directors believe that the carrying value of the investment is supported by its underlying net assets

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

	2013 £	2012 £

Note 9 Deferred tax assets

The balance comprises temporary differences attributable to		
Other assets and liabilities	**3,439,526**	819,700
Fixed assets	**1,861,307**	2,035,042
Total deferred income tax assets	**5,300,833**	2,854,742
Reconciliation of the Company's movement in deferred tax assets		
Balance at the beginning of the financial year	**2,854,742**	1,442,723
Timing differences		
Amounts credited to profit and loss	**1,434,601**	1,558,509
Adjustments to tax in respect of prior years	**1,144,876**	71,707
Amounts credited to reserves	**97,084**	19,698
Change in tax rate	**(233,079)**	(251,203)
Change in tax rate relating to reserves	**2,609**	13,308
Balance at the end of the financial year	**5,300,833**	2,854,742

The UK Government reduced the main rate of corporation tax from 26% to 24% from 1 April 2012 and then from 24% to 23% from 1 April 2013 On 20 March 2013, the Government announced its intention to reduce the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015, however this has not been substantively enacted

Deferred tax has been calculated at 23% (2012 24%), the rate substantively enacted at the balance sheet date However, had the rate of 21% (proposed from 1 April 2014) been substantively enacted at the balance sheet date the deferred tax asset would have been £461,000 lower (i e £4,840,000), and had the 20% rate (proposed from 1 April 2015) been substantively enacted the deferred tax asset would have been £692,000 lower (i e £4,609,000)

The company has unrecognised deferred tax assets of £780,000 in relation to tax losses and £173,000 in relation to unrelieved foreign tax credits These amounts have not been recognised due to uncertainty over their recoverability

Note 10 Debtors

Broking trade debtors	**251,963,686**	672,142,106
Amounts due from other Macquarie Group undertakings	**71,382,815**	109,774,867
Fees and other receivables	**8,135,006**	9,432,432
Other trade debtors	**5,235,695**	1,268,602
VAT recoverable	**1,344,034**	1,769,957
Prepayment and other debtors	**1,098,606**	1,382,745
Deferred employee retentions	**11,334**	146,406
Taxation	**2,377,609**	5,406,237
Total debtors	**341,548,785**	801,323,352

Amounts owed from other Macquarie Group undertakings are unsecured and have no fixed date of repayment The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2013 the rate applied ranged between LIBOR plus 1 40% and LIBOR plus 3 96% (2012 between LIBOR plus 1 52% and LIBOR plus 2 68%)

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

	2013 £	2012 £

Note 11. Current asset investment

	2013 £	2012 £
Equity securities	**2,493,440**	-
Total investment	**2,493,440**	-

During the year, the Company acquired 295,505 shares constituting 2 5% of the shares issued of Firstextile AG The fair value of the investment approximates its carrying value

Note 12 Cash at bank and in hand

	2013 £	2012 £
Cash at bank	**21,608,680**	26,673,603
Cash held with other Macquarie Group undertaking	**133,165**	126,266
Cash in hand	**224**	224
Total cash at bank and in hand	**21,742,069**	26,800,093

Note 13 Creditors Amounts falling due within one year

	2013 £	2012 £
Due to brokers and customers[1]	**254,949,508**	728,684,326
Amounts due to other Macquarie Group undertakings[2]	**56,194,776**	40,330,424
Trade creditors	**13,298,192**	2,580,477
Bank overdraft	-	3,014,926
Other creditors	**4,598,620**	4,725,311
Total creditors	**329,041,096**	779,335,464

[1] Amounts due to brokers and customers are payable within three working days of the relevant trade date

[2] Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2013 the rate applied was LIBOR plus 3 96% (2012 LIBOR plus 3 02%)

Note 14 Creditors Amounts falling due after more than one year

	2013 £	2012 £
Subordinated loan notes	**10,000,000**	10,000,000
Total creditors	**10,000,000**	10,000,000

On 1 November 2007, the Company was granted a subordinated loan facility of £10,000,000 from Macquarie Capital Group Limited Interest is calculated on a daily basis at LIBOR plus 100 basis points The loan is perpetual, but may be redeemed after five years from the date of inception, with the Company giving one month's notice to the Financial Conduct Authority ("FCA") and with the approval of the FCA

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

	2013	2012
	£	£

Note 15 Provisions for liabilities and charges

	2013 £	2012 £
Provision for employee entitlements	**2,529,738**	4,958,593
Restructuring provision	**6,667,308**	15,477,916
Total provisions	**9,197,046**	20,436,509

Reconciliation of provisions

	Employee provision £	Restructuring provision £	Total £
Balance at the beginning of the financial year	4,958,593	15,477,916	20,436,509
Provisions made during the year	1,271,247	2,327,921	3,599,168
Provisions used during the year	(2,385,124)	(11,078,499)	(13,463,623)
Transfers to related body corporate entities	(265,453)	-	(265,453)
Provisions reversed during the year	(992,720)	-	(992,720)
Foreign exchange movements	(56,805)	(60,030)	(116,835)
Balance at the end of the financial year	2,529,738	6,667,308	9,197,046

A provision of £923,322 (2012 £2,368,014) has been made in relation to bonuses payable to staff employed by the Company

A provision of £15,477,916 was been recognised in relation to the restructure of the Structured Products and Exotics business in 2012 As at 31 March 2013, the remaining provision is £6,667,308 which is expected to be utilised over the next 2 years

Note 16 Share capital and share premium

	2013 Number of shares	2012 Number of shares	2013 £	2012 £
Ordinary share capital				
Opening balance of fully paid ordinary shares	**60,901,000**	35,901,000	**60,901,000**	35,901,000
Issue of 10,000,000 ordinary shares on 28 September 2011 at £1 per share	-	10,000,000	-	10,000,000
Issue of 15,000,000 ordinary shares on 24 February 2012 at £1 per share	-	15,000,000	-	15,000,000
Issue of 10,000,000 ordinary shares on 31 October 2012 at £1 per share	**10,000,000**	-	**10,000,000**	-
Issue of 10,000,000 ordinary shares on 27 March 2013 at £1 per share	**10,000,000**	-	**10,000,000**	
Closing balance of fully paid ordinary shares	**80,901,000**	60,901,000	**80,901,000**	60,901,000

	2013 £	2012 £
Share premium account		
Opening balance of share premium	**4,999,000**	4,999,000
Closing balance of share premium account	**4,999,000**	4,999,000
Equity contribution from ultimate parent entity		
Opening balance of equity contribution from ultimate parent entity	**1,801,040**	1,790,928
Additional equity contribution from the ultimate parent entity	**6,007**	10,112
Closing balance of equity contribution from ultimate parent entity	**1,807,047**	1,801,040

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

	2013 £	2012 £

Note 17 Reserves and profit and loss account

	2013 £	2012 £
Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	**(240,524)**	(519,097)
Currency translation differences arising during the financial year, net of tax	**(949,871)**	278,573
Balance at the end of the financial year	**(1,190,395)**	(240,524)

Exchange differences arising from the translation of the Company's foreign branches, which have local currencies other than sterling, are taken to the foreign currency translation reserve

	2013 £	2012 £
Retirement benefit reserve		
Balance at the beginning of the financial year	**505,682**	548,440
Actuarial loss on pension schemes	**(404,524)**	(75,763)
Deferred tax associated with actuarial loss	**226,377**	33,005
Balance at the end of the financial year	**327,535**	505,682
Total reserves	**(862,860)**	265,158
Profit and loss account		
Balance at the beginning of the financial year	**(40,863,666)**	(14,390,775)
Loss attributable to ordinary equity holders of Macquarie Capital (Europe) Limited	**(22,244,814)**	(26,472,891)
Balance at the end of the financial year	**(63,108,480)**	(40,863,666)
Total profit and loss account	**(63,108,480)**	(40,863,666)

Note 18 Reconciliation of shareholder funds

	2013 £	2012 £
Balance at the beginning of the financial year	**27,102,532**	28,329,496
Capital contribution from the ultimate parent	**6,007**	10,112
Movement in foreign currency translation reserve	**(949,871)**	278,573
Loss for the year	**(22,244,814)**	(26,472,891)
Net movement in retirement benefit reserve	**(178,147)**	(42,758)
Shares issued during the year	**20,000,000**	25,000,000
Balance at the end of the financial year	**23,735,707**	27,102,532

Note 19 Related party information

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 27

Note 20 Directors' remuneration

During 2013 and 2012, all directors were employed by, and received all emoluments from, other Macquarie Group undertakings The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses Consequently, allocating their employment compensation across all these duties would mean any amounts allocated to their duties for the Company would be an immaterial nominal amount Accordingly, no separate remuneration has been disclosed

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

Note 21 Employee equity participation

Macquarie Group Employee Retained Equity Plan

In December 2009, Macquarie Group Limited's shareholders approved the implementation of the Macquarie Group Employee Retained Equity Plan (MEREP) in conjunction with remuneration arrangements These arrangements included a decrease in the portion of staff profit share paid in cash and an increase in the portion delivered as equity, an increase in the proportion of deferred remuneration and cessation of new option grants under the Macquarie Group Employee Share Option Plan (MGESOP)

Award Types under the MEREP

Restricted Share Units (RSUs)

A RSU is a beneficial interest in a Macquarie share held on behalf of a MEREP participant by the plan trustee (Trustee) The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights in the share The participant also has the right to request the release of the share from the Trust, subject to the vesting and forfeiture provisions of the MEREP

Deferred Share Units (DSUs)

A DSU represents the right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by Macquarie Group Limited in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised Macquarie Group Limited may issue shares to the Trustee or procure the Trustee to acquire shares on-market for potential future allocations to holders of DSUs Generally DSUs will provide for cash payments in lieu of dividends paid on Macquarie Group Limited shares before the DSU is exercised Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of Macquarie Group Limited in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders generally of Macquarie Group Limited shares do not receive These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as are provided to holders of RSUs However, holders of DSUs will have no voting rights as to any underlying Macquarie Group Limited shares

The following is a summary of Awards which have been granted to employees of the Company pursuant to the MEREP

	Number of RSU Awards 2013	Number of RSU Awards 2012
RSUs on issue at the beginning of the financial year	**7,212**	21,583
Granted during the financial year	**-**	4,099
Vested RSU awards withdrawn from the MEREP during the financial year	**(8,212)**	(6,093)
Transfers from/(to) related body corporate entities	**11,458**	(2,827)
Forfeited during the financial year	**-**	(9,550)
RSUs on issue at the end of the financial year	**10,458**	7,212
RSUs vested and not withdrawn from the MEREP at the end of the financial year	**-**	-

There were no RSU awards granted during the current or previous financial year The weighted average fair value of the RSU Awards granted during the prior financial year was AU$31 13

Notes to the financial statements (continued) for the financial year ended 31 March 2013

Note 21 Employee equity participation (continued)

	Number of DSU Awards 2013	Number of DSU Awards 2012
DSUs on issue at the beginning of the financial year	**163,333**	80,613
Granted during the financial year	**13,614**	113,274
Transfers to related body corporate entities	**(19,876)**	(2,745)
Exercised during the financial year	**(57,120)**	(1,520)
Forfeited during the financial year	**(43,075)**	(26,289)
DSUs on issue at the end of the financial year	**56,876**	163,333
DSUs exercisable at the end of the financial year	**18,995**	3176

The weighted average fair value of the DSU Awards granted during the financial year was AU$26 64 (2012 AU$33 75)

For the year ended 31 March 2013, compensation expense relating to the MEREP totalled £492,255 (2012 £48,479)

Participation in the MEREP is currently provided to the following Eligible Employees

- Executive Directors with retained Directors' Profit Share (DPS) from 2009 onwards, a proportion of which is allocated in the form of MEREP awards (Retained DPS Awards),
- Executive Directors with pre-2009 retained DPS (which they elected to transition into the MEREP),
- Staff other than Executive Directors with retained profit share (Retained Profit Share Awards) and staff who are promoted to Associate Director, Division Director or Executive Director, who receive a fixed allocation of MEREP awards (Promotion Awards),
- New Macquarie Group staff who commence at Associate Director, Division Director or Executive Director level are awarded a fixed number of MEREP awards depending on level (New Hire Awards),and
- In limited circumstances, Macquarie staff who may receive an equity grant instead of a remuneration or consideration payment in cash Current examples include individuals who become employees of the Company on the acquisition of their employer by a Macquarie Group entity or who receive an additional award at the time of joining Macquarie (also referred to below as New Hire Awards)

Vesting periods are as follows

Award type	Level	Vesting
Retained profit share awards and Promotion awards	Below Executive Director	1/3rd on or after each 1 July, in the 2nd, 3rd and 4th year of grant[1]
Retained DPS awards representing 2009 retention	Executive Director	1/5th on or after each 1 July, in the 3rd, 4th, 5th, 6th and 7th following the year of grant[2]
Retained DPS awards for 2010 and all future years' retention	Designated Executive Director	1/5th on or after each 1 July in the 3rd, 4th, 5th, 6th and 7th year following the year of grant[2]
Retained DPS awards for 2010 and all future years' retention	Non-Designated Executive Director	1/3rd on or after each 1 July in the 3rd, 4th and 5th year following the year of grant[1]
New hire awards	All Director-level staff	1/3rd on each of the first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation

[1] Vesting will occur on the first day of a staff trading window following 1 July of the specified year

[2] Vesting will occur on the first day of a staff trading window following 1 July of the specified year If an Executive Director as been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

Note 21 Employee equity participation (continued)

In limited cases, the Application Form for awards may set out a different vesting period, in which case that period will be the vesting period for the Award

For Retained Profit Share Awards representing 2012 retention, the allocation price was the volume weighted average price of the Shares acquired for the 2012 Purchase Period, which was 7 May 2012 to 7 June 2012 (excluding the pricing period for the Macquarie Group Dividend Reinvestment Plan from 17 May to 23 May 2012 inclusive) That price was calculated to be AU$26 97 (2012 AU$33 06)

The number of Awards granted was calculated by adjusting the employee's relevant retained profit share amount, or retained DPS, for any applicable on-costs, dividing this amount by the applicable price outlined above, and rounding down to the nearest whole number The grant of Awards to Eligible Employees working in Australia is subject to payroll tax, calculated based on the market value of shares on the Acquisition Date

Option Plan

Macquarie Group Limited has suspended new offers under the Macquarie Group Employee Share Option Plan (MGESOP) under remuneration arrangements which were the subject of shareholder approvals obtained at a General Meeting of Macquarie Group Limited in December 2009 The last grant of Options under the MGESOP was on 8 December 2009 Currently Macquarie Group Limited does not expect to issue any further Options under the MGESOP

Options now on issue are all five year options over fully paid unissued ordinary shares in Macquarie Group Limited and were granted to individuals or the individual's controlled company or an entity approved under the MGESOP to hold options The options were issued for no consideration and were granted at prevailing market prices

At 31 March 2013 there were 4 (2012 8) participants of the MGESOP

The following is a summary of options which have been granted to employees of the Company pursuant to the MGESOP

	Number of options 2013	**Weighted average exercise price 2013 AU$**	Number of options 2012	Weighted average exercise price 2012 AU$
Outstanding at the beginning of the financial year	**61,030**	**64 37**	103,940	59 66
Forfeited during the financial year	**(52)**	**32 39**	(8,969)	34 71
Exercised during the financial year	**(3,000)**	**32 39**	-	-
Transfers to related body corporate entities	**(4,600)**	**72 99**	(14,170)	52 93
Lapsed during the financial year	**(40,378)**	**69 22**	(19,771)	61 26
Outstanding at the end of the financial year	**13,000**	**53 91**	61,030	64 37
Exercisable at the end of the financial year	**13,000**	**53 91**	50,158	68 22

There were no options issued or exercised during the current financial year or previous year

All the options outstanding at the end of the financial year had an exercise price of AU$53 91 (2012 AU$32 39 to AU$90 83)

Notes to the financial statements (contınued)
for the fınancıal year ended 31 March 2013

Note 21 Employee equıty partıcıpatıon (contınued)

Optıon Plan (contınued)

The weıghted average remaınıng contractual lıfe for the share optıons outstandıng as at 31 March 2013 ıs 0 39 years (2012 0 96 years) The weıghted average remaınıng contractual lıfe when analysed by exercıse prıce range ıs

Exercıse prıce range (AU$)	**Number of optıons 2013**	**Remaınıng lıfe (years) 2013**	Number of optıons 2012	Remaınıng lıfe (years) 2012
30 – 40	-	0 00	11,000	1 56
50 – 60	13,000	0 39	21,600	1 39
70 – 80	-	0 00	6,430	0 40
80 – 90	-	0 00	11,000	0 52
90 – 100	-	0 00	11,000	0 31
	13,000	0 39	61,030	0 96

There were no optıons ıssued ın the current or prıor fınancıal year

The market value of shares ıssued durıng the year as a result of the exercıse of these optıons was AU$100,752 (2012 AU$Nıl)

The market value of shares which would be ıssued from the exercıse of the outstandıng optıons at 31 March 2013 was AU$482,950 (2012 AU$1,774,752) No unıssued shares, other than those referred to above, are under optıon under the MGESOP as at the date of thıs report

The optıons were measured at theır grant dates based on theır faır value and the number expected to vest Thıs amount ıs recognısed as an expense evenly over the respectıve vestıng perıods and the equıty provıded ıs treated as a capıtal contrıbutıon

Optıons granted vest ın three equal tranches after the second, thırd and fourth annıversarıes of the date of allocatıon of the optıons Subject to the MGESOP rules and Macquarıe Group Lımıted's personal dealıng polıcy, optıons can be exercısed after the vestıng perıod durıng an optıons exercıse perıod up to expıry In ındıvıdual cases, such as where an employee leaves wıth Macquarıe Group Lımıted's agreement towards the end of a vestıng perıod, Macquarıe Group Lımıted's Executıve Commıttee has the power to waıve the remaınder of any vestıng perıod and allow exercıse of some or all of the relevant optıons

For optıons granted to the members of Macquarıe Bank Lımıted and Macquarıe Group Lımıted's Executıve Commıttee, Executıve Votıng Dırectors and other Executıve Dırectors where the ınvıtatıon to apply for the optıons was sent to the Executıve on or after 30 June 2006, ın respect of each tranche of vested optıons, optıons wıll only be exercısable ıf Macquarıe Group Lımıted's average annual return on ordınary equıty for the three prevıous fınancıal years ıs above the 65th (Executıve Commıttee and Executıve Votıng Dırectors) and 50th (other Executıve Dırectors) percentıles, of the correspondıng fıgures for all companıes ın the then S&P/ASX 100 Index, wıth the condıtıons to be examıned only upon vestıng

Fully paıd ordınary shares ıssued on the exercıse of optıons rank parı passu wıth all other fully paıd Macquarıe Group Lımıted ordınary shares then on ıssue

The optıons do not confer any rıght to dırectly partıcıpate ın any share ıssue or ınterest ıssue by Macquarıe Group Lımıted or any other body corporate or scheme and carry no dıvıdend or votıng rıghts The optıons ınclude terms that provıde for the adjustment of the number of optıons, the exercıse prıce and/or the number of shares to be ıssued on the exercıse of optıons, ın the followıng cırcumstances
- an ıssue of new shares by way of capıtalısatıon of profıts or reserves,
- an ıssue to holders of shares of rıghts (pro-rata wıth exıstıng shareholdıngs) to subscrıbe for further shares,
- a pro-rata bonus ıssue,
- a subdıvısıon, consolıdatıon, cancellatıon or return of capıtal,
- other reorganısatıons

Notes to the fınancıal statements (contınued)
for the fınancial year ended 31 March 2013

Note 21 Employee equıty partıcıpatıon (contınued)

Optıon Plan (contınued)

These terms are consıstent wıth the ASX Lıstıng Rules for the adjustment of optıons ın these cırcumstances whıch are ıntended to ensure that these types of transactıons do not result ın eıther a dılutıon of optıon holders' ınterest or an advantage to optıon holders whıch holders of ordınary shares do not receıve

For the year ended 31 March 2013, compensatıon expense relatıng to the MGESOP totalled £6,170 (2012 £11,000)

Note 22 Contıngent lıabılıtıes and assets

The Company has no commıtments or contıngent assets/lıabılıtıes whıch are ındıvıdually materıal or a category of commıtments or contıngent lıabılıtıes whıch are materıal

Note 23 Lease commıtments

The Company has entered ınto lease agreements for office space and vehıcles whıch are accounted for as operatıng leases At 31 March 2013, future lease payments under the operatıng leases are as follows

	2013 £	2012 £
Non-cancellable operatıng leases expırıng		
Not later than one year	**1,769,268**	243,076
Later than one year and not later than two years	**705**	868,432
Later than two year and not later than five years	**38,391**	2,344,965
Total operatıng lease commıtments	**1,808,364**	3,456,473

Total operatıng lease commıtments ıncludes £1,800,268 ın relatıon to leases over land and buıldıngs (2012 £3,428,059)

Note 24 Segmental reportıng

The Company was a wholly owned subsıdıary wıthın the Macquarıe Group throughout the year and ıs ıncluded ın the consolıdated financıal statements of Macquarıe Group Lımıted, whıch are publıcly avaılable Consequently, the Company has taken advantage of the exemptıon from preparıng a segmental reportıng note under the terms of SSAP 25

Note 25 Cash Flow Statement

The Company was a wholly owned subsıdıary wıthın the Macquarıe Group throughout the year and ıs ıncluded ın the consolıdated financıal statements of Macquarıe Group Lımıted, whıch are publıcly avaılable Consequently, the Company has taken advantage of the exemptıon from preparıng a cash flow statement under the terms of FRS 1 (revısed 1996)

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

Note 26. Employee Information

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

	Number of employees 2013	Number of employees 2012
By activity		
Advisory and sales	**54**	129
Administration and support services	**36**	75
Total employees	**90**	204

The figures above include persons employed by the Company and seconded to other entities within the Macquarie Group

Note 27. Ultimate Parent Undertaking

At 31 March 2013, the immediate parent undertaking of the Company is Macquarie Group Holdings (UK) No 1 Limited

The ultimate parent undertaking and controlling party of the Company is Macquarie Group Limited The largest group to consolidate these financial statements is Macquarie Group Limited, a company incorporated in Australia The smallest group to consolidate these financial statements is Macquarie Financial Holdings Limited, a company incorporated in Australia Copies of the consolidated financial statements for Macquarie Group Limited and Macquarie Financial Holdings Limited can be obtained from the Company Secretary, Level 7, No 1 Martin Place, Sydney, New South Wales, 2000, Australia

Note 28 Pension commitments

The most recent actuarial valuations of the Macquarie Capital (Europe) Limited defined benefit pension plan was at 31 March 2013 The valuation of the plan used the projected unit credit actuarial cost method and was carried out by actuaries of Mercer Limited The principal assumptions for the plan made by the actuaries were as follows

	2013 %	2012 %
Discount rates	**3 15**	3 14
Expected rate of return on assets	**1 36**	1 56
Rate of increase in salaries	**0 66**	0 76
Inflation assumptions	**1 34**	1 24

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Swiss and German plans at 31 March 2013 are summarised in the table below These are based on the BVG 2010 actuarial tables

	Switzerland 2013	Switzerland 2012	Germany 2013	Germany 2012
Longevity at age 65 – current				
Men	**23 08**	17 90	**18 57**	18 43
Women	**25 52**	20 98	**22 66**	22 52
Longevity at age 65 – future				
Men	**21 29**	17 90	**21 90**	21 77
Women	**23 76**	20 98	**25 82**	25 70

Notes to the financial statements (continued)
for the financial year ended 31 March 2013

Note 28. Pension commitments (continued)

Plan assets and rates of return were as follows

	Long-term rate of return expected 31 March 2013	Value at 31 March 2013	Long-term rate of return expected 31 March 2012	Value at 31 March 2012
	%	£	%	£
Cash	2 42	2,643,656	1 7	3,705,845
Equity	4 0	96,923	7 0	83,906
Debt Securities	4 0	441,536	3 1	382,237
Total market value of assets		3,182,115		4,171,988
Present value of plan liabilities		(3,300,746)		(4,096,338)
Net (deficit)/surplus of the plan		(118,631)		75,650
Related deferred tax		28,471		(19,669)
Net pension plan (liability)/asset		(90,160)		55,981

Reconciliation of present value of scheme liabilities

	2013 £	2012 £
Balance at the beginning of the financial year	4,096,338	4,027,157
Current service cost	154,896	646,969
Interest cost	93,644	130,957
Contributions by plan participants	62,295	190,097
Foreign currency exchange rate movements	(3,795)	1,964
Premiums paid	(25,060)	(76,956)
Benefits received/(paid) from the plan	49,498	(827,123)
Actuarial gain	443,816	72,636
Curtailments	(150,427)	(69,363)
Settlements	(1,420,459)	-
Balance at the end of the financial year	3,300,746	4,096,338

Reconciliation of fair value of scheme assets

	2013 £	2012 £
Balance at the beginning of the financial year	4,171,988	3,870,709
Expected return on scheme assets	53,151	78,539
Actuarial gains/(losses)	39,292	(3,127)
Foreign currency exchange rate movements	(10,956)	(10,861)
Premiums paid	(25,060)	(76,956)
Contributions paid by participants	62,295	190,097
Benefits paid from the plan	49,498	(827,123)
Contributions paid by employer	262,366	950,710
Settlements	(1,420,459)	-
Balance at the end of the financial year	3,182,115	4,171,988

The expected return on scheme assets is determined by considering the expected returns available on the assets based on the current investment policy

The actual return on the scheme assets in the year was £92,443 (2012 £81,119)

It is estimated that in the year to 31 March 2014, the Company will make additional contributions to scheme of £72,894

Notes to the financial statements (continued) for the financial year ended 31 March 2013

Note 28 Pension commitments (continued)

Amounts recognised in the profit or loss account are as follows

	2013 £	2012 £
Current service cost	154,896	646,969
Expected return on pension scheme assets	(53,151)	(78,539)
Interest on pension scheme liabilities	93,644	130,957
Gain associated with curtailment	(150,427)	(69,363)
Total charge	44,962	630,024

The current service cost is included within administration expense category in the profit or loss statement

Experience adjustments in plan assets	39,292	(3,127)
Experience adjustments in plan liabilities	(443,816)	(72,636)
Total actuarial gain recognised in statement of total recognised gains and losses	(404,524)	(75,763)

Note 29. Events after the Reporting Year

There were no material events subsequent to 31 March 2013 that have not been reflected in the financial statements