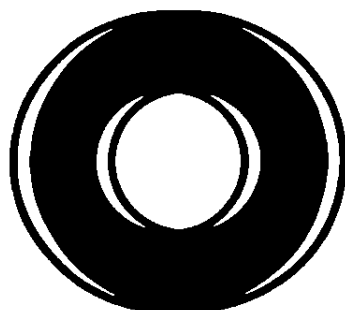


Company Registration Number: 3704031

MACQUARIE CAPITAL (EUROPE) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2010**



MACQUARIE



**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

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MACQUARIE CAPITAL (EUROPE) LIMITED**COMPANY NUMBER 3704031****GENERAL INFORMATION****Directors**

G Conway
A Hunter
C Nelson
R Tallentire
A Watson
W Leamon (appointed 26 April 2010)

Secretaries

J Greenfield
D Tan

Registered office

Level 35
CityPoint
1 Ropemaker Street
London, United Kingdom
EC2Y 9HD

Chartered Accountants and Statutory Auditors

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

Company number 3704031

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 2010

PRINCIPAL ACTIVITIES

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

Equity Markets

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 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.

Corporate Advisory

The Company undertakes advisory activities in the United Kingdom and Continental Europe.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

On 22 April 2009, the Company issued 20,000,000 shares at £1 per share to Macquarie Group Holdings (UK) No 3 Limited.

On 1 September 2009, the Company completed the acquisition of the UK business operations of Tristone Capital Limited for a consideration of C\$1,200,000.

On 5 October 2009, the entire issued share capital of the Company was transferred from Macquarie Group Holdings (UK) No 3 Limited to Macquarie Group Holdings (UK) No 1 Limited.

On 30 November 2009, the Company issued a further 7,000,000 ordinary shares at £1 per share to its immediate parent Macquarie Group Holdings (UK) No 1 Limited.

On 1 December 2009, the Company completed the acquisition of the business operations of Fox-Pitt, Kelton Limited ("FPKL") for a consideration of US\$12,500,000.

On 21 December 2009, the Company approved the acquisition of the equity trading and derivatives business and FX Warrants book ("the ETD business") of Sal Oppenheim Jr & Cie.

On 29 January 2010, the Company approved the acquisition of the Capital Markets Sales and Research business ("the Cash Securities business") of Sal Oppenheim Jr & Cie.

The Company does not envisage any changes in activities for the foreseeable future, except those outlined in post balance sheet date events.

DIRECTORS' REPORT (CONTINUED)**POST BALANCE SHEET DATE EVENTS**

On 6 April 2010, the Company completed the acquisition of the ETD business and Cash Securities business of Sal Oppenheim Jr & Cie

RESULTS AND DIVIDENDS

The Company's loss after tax for the financial year was £4,929,258 (2009 £2,219,785 loss)

No dividend was paid during the year (2009 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 and are not managed separately. 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 25

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 Macquarie Group Limited ("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.

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.

DIRECTORS' REPORT (CONTINUED)**FINANCIAL RISK MANAGEMENT (CONTINUED)****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

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 Equity Markets 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-functional currencies. Any material non-functional currency exposures are managed by applying a group wide process of minimising exposure at an individual company level.

DIRECTORS

The Directors of the Company holding office during the year were as follows:

G Conway
A Hunter
C Nelson
R Tallentire
A Watson

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.

DIRECTORS' REPORT (CONTINUED)**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies Act 2006 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, 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 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 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.

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


ANDREW HUNTER

Director

1 July 2010

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 2010 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 7 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 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.

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 2010 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
- 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.



Craig Stafford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 July 2010

MACQUARIE CAPITAL (EUROPE) LIMITED**COMPANY NUMBER 3704031****PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £	2009 £
Turnover			
Continuing operations		93,106,375	103,320,298
Discontinued operations		-	1,544,805
	1	<u>93,106,375</u>	<u>104,865,103</u>
Administrative expenses			
Continuing operations		(98,708,467)	(105,694,248)
Discontinued operations		-	(1,885,172)
		<u>(98,708,467)</u>	<u>(107,579,420)</u>
Other operating gains/(charges)		<u>217,779</u>	<u>(600,896)</u>
OPERATING LOSS			
Continuing operations		(5,384,313)	(2,974,846)
Discontinued operations		-	(340,367)
		<u>(5,384,313)</u>	<u>(3,315,213)</u>
Interest receivable and similar income	3	8,046,851	3,748,332
Interest payable and similar charges	4	(6,466,313)	(3,139,749)
Impairment of intangible assets	12	<u>(672,347)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(4,476,122)	(2,706,630)
Tax on loss on ordinary activities	7	(453,136)	486,845
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(4,929,258)</u>	<u>(2,219,785)</u>

The notes on pages 12 to 28 form part of these financial statements

MACQUARIE CAPITAL (EUROPE) LIMITED **COMPANY NUMBER 3704031**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £	2009 £
Loss for the financial year		(4,929,258)	(2,219,785)
Movement in foreign currency translation reserve	22	(414,211)	(133,065)
Total recognised loss for the financial year		<u>(5,343,469)</u>	<u>(2,352,850)</u>

The notes on pages 12 to 28 form part of these financial statements

MACQUARIE CAPITAL (EUROPE) LIMITED**COMPANY NUMBER 3704031****BALANCE SHEET AS AT 31 MARCH 2010**

	Notes	2010 £	2009 £
FIXED ASSETS			
Investments	11	2	2
Tangible assets	10	686,873	761,010
Intangible assets	12	6,889,428	-
		<u>7,576,303</u>	<u>761,012</u>
CURRENT ASSETS			
Cash at bank and in hand	14	43,328,439	16,755,105
Debtors	13	279,637,207	140,550,722
Deferred tax asset	8	1,419,637	1,036,264
		<u>324,385,283</u>	<u>158,342,091</u>
CURRENT LIABILITIES			
Overdraft	15	-	(6,905,406)
Creditors amounts falling due within one year	16	(282,746,391)	(121,271,836)
		<u>(282,746,391)</u>	<u>(128,177,242)</u>
NET CURRENT ASSETS		<u>41,638,892</u>	<u>30,164,849</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>49,215,195</u>	<u>30,925,861</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(6,500,000)	(6,500,000)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(4,034,166)	(7,610,395)
NET ASSETS		<u>38,681,029</u>	<u>16,815,466</u>
CAPITAL AND RESERVES			
Called up share capital	20	35,901,000	8,901,000
Share premium account	20	4,999,000	4,999,000
Equity contribution from ultimate parent		1,687,398	1,478,366
Foreign currency translation reserve	22	(180,972)	233,239
Profit and loss account	22	(3,725,397)	1,203,861
TOTAL SHAREHOLDERS' FUNDS	23	<u>38,681,029</u>	<u>16,815,466</u>

The notes on pages 12 to 28 form part of these financial statements

The financial statements on pages 9 to 28 were approved by the board of directors on 1 July 2010 and were signed on its behalf by



ANDREW HUNTER
Director

MACQUARIE CAPITAL (EUROPE) LIMITED **COMPANY NUMBER 3704031**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1 ACCOUNTING POLICIES

The financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006, and with applicable accounting standards

The financial statements contain information about Macquarie Capital (Europe) Limited 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 full consolidation in the consolidated financial statements of its ultimate parent Macquarie Group Limited, a company incorporated in Australia.

The particular policies adopted are described below as follows

a) TURNOVER

Turnover for the year comprises

- (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 when the necessary conditions have been met,
- (ii) 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 and is brought to account in accordance with service agreements in place,
- (iii) Brokerage commission income from trades where the Company acts as principal with external clients and the market, which is brought to account on an accruals basis,
- (iv) Trading income on the Company's facilitation and market making activities, and
- (v) Research income derived by charging divisions within the Macquarie Group in accordance with inter-divisional recovery policies in place

b) OTHER OPERATING GAINS/(CHARGES)

Gains and losses arising from foreign currency transactions are accounted for as other operating gains or charges respectively

c) INTEREST

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

Interest receivable from and payable to other Macquarie Group entities 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

d) CASH AT BANK AND IN HAND

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****e) TAXATION AND DEFERRED TAXATION**

The charge for taxation is based on the profit or 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.

f) PERFORMANCE BASED REMUNERATION**Share based payments**

The ultimate parent entity, Macquarie Group Limited ("MGL"), 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 the shares and options granted to its employees by MGL. The shares and options are measured at the grant dates based on their fair value and in the case of options, using the number 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. The following key assumptions were adopted for grants made in the prior year:

- risk free interest rate 6.77 per cent (weighted average),
- expected life of options four years,
- volatility of share price 24 per cent, and
- dividend yield 3.47 per cent per annum

In the current year, MGL established a new equity plan, MEREP Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") have been granted in the current year in respect of 2009. The fair value of each of these grants is estimated using MGL's share price on the date of grant. Grants under MEREP for 2009 are valued based on the value weighted average price from 4 May 2009 to 29 July 2009. The movement in the share price between the value date and grant date of 17 December 2009 has been recognised as a prepaid asset.

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

The Company annually revises its estimates of the number of shares (including those delivered through MEREP) and options that are expected to vest. Where appropriate, the impact of revised estimates are reflected in the profit and loss account over the remaining vesting period.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****g) 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 annual rates of depreciation are as follows:

Furniture and fittings	10 to 20 percent
Computer equipment	33 to 50 percent

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 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. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

h) 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 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.

Under SSAP 20 Foreign Currency Translation, fixed asset investments denominated in currencies other than sterling, which are financed by foreign borrowings, are translated to sterling using the rate of exchange ruling at the balance sheet date. The gains or losses on translation of the investment are taken to reserves together with the gains or losses on translation of the foreign borrowing.

i) IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset (a 'loss event') and that loss event, or events, has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****j) GOODWILL AND 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
Trademark	100 percent

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

k) FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies 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 the foreign currency translation reserve.

l) PROVISION FOR LIABILITIES AND CHARGES

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

2 SEGMENTAL REPORTING

The Company was a wholly owned subsidiary within the Macquarie 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 segmental reporting note under the terms of SSAP 25.

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Interest receivable from other Macquarie Group undertakings	8,001,918	3,584,704
Interest receivable from unrelated parties	44,933	163,628
	<u>8,046,851</u>	<u>3,748,332</u>

MACQUARIE CAPITAL (EUROPE) LIMITED**COMPANY NUMBER 3704031****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****4 INTEREST PAYABLE AND SIMILAR CHARGES**

	2010 £	2009 £
Interest payable to other Macquarie Group undertakings	6,314,622	3,120,743
Interest payable to unrelated parties	151,691	19,006
	<u>6,466,313</u>	<u>3,139,749</u>

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2010 £	2009 £
Foreign exchange (gains) and losses	(217,779)	600,896
Fee allocations to other Macquarie Group undertakings	30,201,161	62,755,444
Wages and salaries	7,037,708	8,076,213
Social security	450,586	630,152
Staff resourcing charge from Macquarie Group undertakings	27,549,572	19,931,182
Internal fee to other Macquarie Group undertakings	6,822,663	1,881,650
Trading expenses	10,524,644	271,068
Depreciation charges	397,699	365,428
Amortisation of intangible assets	622,050	-
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	42,500	38,100

6 EMPLOYEE INFORMATION

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

	2010	2009
By activity		
Advisory and sales	37	30
Administration	3	4
	<u>40</u>	<u>34</u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****7 TAX ON LOSS ON ORDINARY ACTIVITIES****Analysis of tax charge/(credit) for the year**

	2010	2009
	£	£
Current tax		
UK corporation tax at 28% (2009 28%)	(435,036)	(437,109)
Adjustments to tax in respect of prior years	559,783	174,907
Foreign tax suffered	583,948	737,257
Double tax relief	-	(644,521)
Total current tax	<u>708,695</u>	<u>(169,466)</u>
Deferred tax		
Origination and reversal of timing differences	(351,239)	(155,818)
Adjustments to tax in respect of prior years	95,680	(161,561)
Total deferred tax	<u>(255,559)</u>	<u>(317,379)</u>
 Tax on loss on ordinary activities	 <u>453,136</u>	 <u>(486,845)</u>

Factors affecting tax (charge)/credit for the year

The taxation (charge)/credit for the year ended 31 March 2010 is higher (2009 lower) than the standard rate of corporation tax in the United Kingdom of 28%. The differences are explained below

	2010	2009
	£	£
Loss on ordinary activities before taxation	(4,476,122)	(2,706,630)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 28% (2009 28%)	1,253,314	757,856
Effects of		
Foreign tax suffered	(583,948)	(92,736)
Expenses not deductible for tax purposes	(419,536)	(164,929)
Accelerated capital allowance	(111,356)	(23,941)
Employment expense related timing differences	(287,386)	(131,877)
Adjustments to tax in respect of prior years	(559,783)	(174,907)
	<u>(708,695)</u>	<u>169,466</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****8 DEFERRED TAX ASSET**

	2010	2009
	£	£
At 1 April	1,036,264	718,886
Timing differences		
Amount credited to profit and loss	479,053	155,818
Adjustment due to change in tax rate	-	(68,975)
Adjustment to tax in respect of prior years	(95,680)	230,535
Deferred tax asset recognised at 31 March	<u>1,419,637</u>	<u>1,036,264</u>
The deferred tax asset comprises		
Accelerated capital allowance	149,318	42,892
Timing differences in respect of employment expenses	957,082	649,521
Timing differences in respect of pensions and other retirement benefits	313,237	311,325
Deferred tax asset recognised at 31 March	<u>1,419,637</u>	<u>1,036,264</u>

9 DIRECTORS' REMUNERATION

During 2009 and 2010 all directors were employed by, and received all emoluments from, other Macquarie Group undertakings. The Directors perform director 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 director duties for the Company would be an immaterial nominal amount. Accordingly, no separate remuneration has been disclosed.

10 TANGIBLE FIXED ASSETS

	Computer equipment	Furniture and fittings	Total
	£	£	£
COST			
At 1 April 2009	431,407	998,332	1,429,739
Additions	201,751	161,190	362,941
Disposals	(4,448)	(76,788)	(81,236)
Foreign exchange movements	(73)	8,582	8,509
At 31 March 2010	<u>628,637</u>	<u>1,091,316</u>	<u>1,719,953</u>
ACCUMULATED DEPRECIATION			
At 1 April 2009	291,013	377,716	668,729
Charge for the year	112,929	284,770	397,699
Disposals	(4,192)	(28,539)	(32,731)
Foreign exchange movements	(289)	(328)	(617)
At 31 March 2010	<u>399,461</u>	<u>633,619</u>	<u>1,033,080</u>
NET BOOK AMOUNT			
31 March 2010	<u>229,176</u>	<u>457,697</u>	<u>686,873</u>
31 March 2009	<u>140,394</u>	<u>620,616</u>	<u>761,010</u>

MACQUARIE CAPITAL (EUROPE) LIMITED**COMPANY NUMBER 3704031****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****11 FIXED ASSET INVESTMENTS**

	2010 £	2009 £
COST		
At 1 April	2	1
Additions	-	1
At 31 March	<u>2</u>	<u>2</u>

Fixed asset investments comprise

	Nature of business	Country of incorporation	% ownership	2010 £	2009 £
Macquarie Avenir No 1 Pty Limited	Financing & investing	Australia	0.01%	0.50	0.50
Macquarie Avenir No 2 Pty Limited	Financing & investing	Australia	0.01%	0.50	0.50
Macquarie (Europe) Nominees Limited	Nominee company	England and Wales	100%	<u>1</u> <u>2</u>	<u>1</u> <u>2</u>

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 (Europe) Nominees Limited

The Company holds 100% of the share capital in Macquarie (Europe) Nominees Limited, at a cost of £1. Macquarie (Europe) Nominees Limited acts as a nominee company for the Macquarie Securities Group business in the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)**

12 INTANGIBLE ASSETS

	Trademark	Goodwill	Total
	£	£	£
COST			
At 1 April 2009	-	-	-
Additions (see note 19)	321,048	7,862,777	8,183,825
Impairment	-	(672,347)	(672,347)
At 31 March 2010	<u>321,048</u>	<u>7,190,430</u>	<u>7,511,478</u>
ACCUMULATED DEPRECIATION			
At 1 April 2009	-	-	-
Charge for the year	142,688	479,362	622,050
At 31 March 2010	<u>142,688</u>	<u>479,362</u>	<u>622,050</u>
NET BOOK AMOUNT			
31 March 2010	<u>178,360</u>	<u>6,711,068</u>	<u>6,889,428</u>
31 March 2009	<u>-</u>	<u>-</u>	<u>-</u>

13 DEBTORS

	2010	2009
	£	£
Amounts owed by other Macquarie Group undertakings	23,138,800	40,003,721
Trade debtors	246,555,344	88,484,686
Deferred employee retentions	844,981	3,575,076
VAT recoverable	16,645	491,360
Fees receivable	7,486,693	5,814,276
Prepayments and other debtors	839,232	701,000
Taxation	755,512	1,480,603
	<u>279,637,207</u>	<u>140,550,722</u>

Amounts owed by 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 2010 the rate applied ranged between LIBOR plus 0.66% and LIBOR plus 2.35% (2009 between LIBOR plus 1.91% and LIBOR plus 3.57%).

14 CASH AT BANK AND IN HAND

	2010	2009
	£	£
Cash held with banks	43,221,320	7,942,970
Cash held with Macquarie Bank Limited	106,917	8,811,937
Cash in hand	202	198
	<u>43,328,439</u>	<u>16,755,105</u>

MACQUARIE CAPITAL (EUROPE) LIMITED**COMPANY NUMBER 3704031****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****15 OVERDRAFT**

	2010	2009
	£	£
Overdraft held with Macquarie International Finance Limited	-	6,905,406
	<u>-</u>	<u>6,905,406</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Amounts owed to other Macquarie Group undertakings	26,419,956	31,387,883
Taxation	-	264,200
Trade creditors	253,906,589	87,627,983
Other creditors	2,419,846	1,991,770
	<u>282,746,391</u>	<u>121,271,836</u>

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 2010 the rate applied was LIBOR plus 2.35% (2009 LIBOR plus 3.02%).

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010	2009
	£	£
Subordinated loan	6,500,000	6,500,000
	<u>6,500,000</u>	<u>6,500,000</u>

On 1 November 2007, the Company was granted a subordinated loan facility of £10,000,000 from Macquarie Capital Group Limited ("MCG"). 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. 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 borrower giving one month's notice to the Financial Services Authority ("FSA") and with the approval of the FSA.

18 PROVISIONS FOR LIABILITIES AND CHARGES

	2010	2009
	£	£
At 1 April	7,610,395	6,395,461
Paid during the year	(4,264,561)	(3,753,658)
Charged to profit and loss	504,878	2,244,426
Deferred as employee retentions	-	2,819,441
Charged to profit and loss – foreign exchange movement	183,454	(95,275)
At 31 March	<u>4,034,166</u>	<u>7,610,395</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****18 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)**

A provision of £1,547,554 (2009 £5,063,867) has been made in relation to bonuses payable to staff employed by the Company. Bonuses charged to the profit and loss account during the financial year of £1,547,554 relate to the 2010 bonus period, which is payable in May 2010.

Maturity profile of bonus provision

	2010	2009
	£	£
Within 1 year	2,206,045	4,332,713
Between 1 and 2 years	1,309,914	1,263,768
Between 2 and 5 years	332,359	1,454,390
Greater than 5 years	185,848	559,524
	<u>4,034,166</u>	<u>7,610,395</u>

19 ACQUISITIONS

During the financial year ended 31 March 2010, the Company acquired the business and trade of Tristone Capital Limited ("TCL") and Fox-Pitt, Kelton Limited ("FPKL").

The acquisition of the business and trade of TCL occurred on 1 September 2009, for cash consideration of C\$1,200,000. The Company recognised goodwill of £672,347 as part of the acquisition.

The acquisition of the business and trade of FPKL occurred on 1 December 2009, for cash consideration of US\$12,500,000. The Company recognised goodwill of £7,190,430 as part of the acquisition.

During the period 1 January 2009 to 30 November 2009, FPKL generated a loss after taxation of £1,496,983. Post-acquisition performance cannot practically be separated between that attributable to the business and assets acquired from FPKL and the Company's pre-acquisition operations.

The assets were acquired at fair value and were as follows:

	FPKL	TCL	Total
	£	£	£
Trademarks	321,048	-	321,048
Net assets acquired	<u>321,048</u>	<u>-</u>	<u>321,048</u>
Goodwill	7,190,430	672,347	7,862,777
Consideration	<u>7,511,478</u>	<u>672,347</u>	<u>8,183,825</u>
Consideration satisfied by:			
Cash			8,183,825

MACQUARIE CAPITAL (EUROPE) LIMITED **COMPANY NUMBER 3704031**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)**

20 CALLED UP SHARE CAPITAL

	2010 £	2009 £
ALLOTTED AND FULLY PAID		
35,901,000 (2009 8,901,000) ordinary shares of £1 each	35,901,000	8,901,000
Share premium account	4,999,000	4,999,000
	<u>40,900,000</u>	<u>13,900,000</u>

On 22 April 2009, the Company issued 20,000,000 shares at £1 per share to Macquarie Group Holdings (UK) No 3 Limited

On 5 October 2009, the entire issued share capital of the Company was transferred from Macquarie Group Holdings (UK) No 3 Limited to Macquarie Group Holdings (UK) No 1 Limited

On 27 November 2009, the Company adopted new articles of association (under Companies Act 2006 provisions) which allow the Directors of the Company, up to an unprescribed limit, to allot shares at their discretion

On 30 November 2009, the Company issued 7,000,000 shares at £1 per share to Macquarie Group Holdings (UK) No 1 Limited

21 EMPLOYEE SHARE COMPENSATION

Option plan

Prior to shareholder approval of new remuneration arrangements in December 2009, Macquarie Group Limited ("MGL") operated the Macquarie Group Employee Share Option Plan ("MGESOP"), which included granting options to employees of the Company. The last grant of options under the MGESOP was on 8 December 2009.

Previously, the staff eligible to participate in the MGESOP were those of Associate Director level and above and consultants to the Company. At 31 March 2010 there were 14 (2009 13) participants of the MGESOP.

The fair value of each option granted in prior years was estimated on the date of grant using standard option pricing technology based on the Black-Scholes theory. The following key assumptions were adopted for grants made in the prior year:

- risk free interest rate 6.77 per cent (weighted average),
- expected life of options four years,
- volatility of share price 24 per cent, and
- dividend yield 3.47 per cent per annum

Options now on issue are all five year options over fully paid unissued ordinary shares in MGL and were granted to individuals or an entity approved under the MGESOP to hold options.

The options were issued for no consideration and were granted at prevailing market prices. The exercise price of new options granted was generally based on the weighted average market price during the one week up to and including the date of grant of the options.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

21 EMPLOYEE SHARE COMPENSATION (CONTINUED)

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

	Number of options 2010	Weighted average exercise price 2010 A\$	Number of options 2009	Weighted average exercise price 2009 A\$
Outstanding at the beginning of the financial year	128,294	57.21	107,260	67 03
Granted during the financial year	-	-	57,700	42 35
Forfeited during the financial year	(6,900)	75.50	-	-
Exercised during the financial year	(2,002)	34.29	(5,666)	29 85
Transfers from/(to) related entities	19,500	74.35	(31,000)	68 53
Lapsed during the financial year	(3,868)	65.13	-	-
Outstanding at the end of the financial year	135,024	58.86	128,294	57 21
Exercisable at the end of the financial year	39,513	68.86	18,804	57 76

For options exercised during the financial year the weighted average share price at the date of exercise was A\$43 83 (2009 A\$55 12)

The range of exercise prices for options outstanding at the end of the financial year was A\$32 39 to A\$90 83 (2009 A\$32 39 to A\$90 83)

The weighted average remaining contractual life for the share options outstanding as at 31 March 2010 is 2 6 years (2009 3 5 years)

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

Exercise price range (A\$)	Number of options 2010	Remaining life (years) 2010	Number of options 2009	Remaining life (years) 2009
30 – 40	31,000	3.6	34,670	4 1
40 – 50	-	-	-	-
50 – 60	31,700	3.4	29,700	4 4
60 – 70	36,794	1 3	32,794	2 1
70 – 80	13,530	2.4	13,530	3 4
80 – 90	11,000	2.5	6,600	3 2
90 – 100	11,000	2 3	11,000	3 3
	135,024	2.6	128,294	3 5

The weighted average fair value of options granted during the financial year was A\$nil (2009 A\$8 30)

The market value of shares issued during the year as a result of the exercise of these options was A\$87,739 (2009 A\$312,310)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****21 EMPLOYEE SHARE COMPENSATION (CONTINUED)**

The market value of shares which would be issued from the exercise of the outstanding options at 31 March 2010 was A\$6,379,884 (2009 A\$3,470,353). No unissued shares, other than those referred to above, are under option as at the date of this report.

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 2010, compensation expense relating to the MGESOP totalled £209,032 (2009 £147,842).

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 MGL's agreement towards the end of a vesting period, MGL'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.

Macquarie Group Employee Retained Equity Plan

In December 2009, MGL shareholders approved the implementation of the Macquarie Group Employee Retained Equity Plan ("MEREP") in conjunction with new remuneration arrangements. These new 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 MGESOP.

Award types under the MEREP**Restricted share units (RSUs)**

An RSU is a beneficial interest in a Macquarie share held on behalf of a MEREP participant by the plan trustee ("the 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 MEREP Trust ("the Trust"), subject to the vesting and forfeiture provisions of the MEREP.

Deferred share units (DSUs)

A DSU is a right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by Macquarie 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 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 MGL 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 the Macquarie Group in accordance with the Australian Securities Exchange ("ASX") Listing Rules, so that the holder of a DSU does not receive a benefit that holders generally of MGL shares do not receive. Holders of DSUs will have no voting rights as to any underlying MGL shares.

The following is a summary of awards which have been granted pursuant to the MEREP

	Number of RSU awards 2010
RSUs on issue at the beginning of the financial year	--
Granted during the financial year	24,380
RSUs on issue at the end of the financial year	24,380

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****21 EMPLOYEE SHARE COMPENSATION (CONTINUED)****Macquarie Group Employee Retained Equity Plan (continued)**

The weighted average fair value of the RSU awards granted during the financial year was A\$46 35

During the financial year no RSU awards were exchanged for MGL shares

The market value of shares which may be issued on the exercise of the outstanding RSUs as at 31 March 2010 was A\$1,151,955

	Number of DSU awards 2010
DSUs on issue at the beginning of the financial year	–
Granted during the financial year	2,836
DSUs on issue at the end of the financial year	2,836

The weighted average fair value of the DSU awards granted during the financial year was A\$46 35

During the financial year no DSU awards were exchanged for MGL shares

The market value of shares which may be issued on the exercise of the outstanding DSUs as at 31 March 2010 was A\$134,001

For the year ended 31 March 2010, compensation expense relating to the MEREP totalled £268,184

22 OTHER RESERVES

	2010 £	2009 £
Foreign currency translation reserve		
Opening balance	233,239	366,304
Foreign currency translation loss	(414,211)	(133,065)
Closing foreign currency translation reserve	(180,972)	233,239
Total other reserves	(180,972)	233,239
Profit and loss account		
Opening balance	1,203,861	3,423,646
Loss for the financial year (see note 23)	(4,929,258)	(2,219,785)
Closing balance of the profit and loss account	(3,725,397)	1,203,861

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

MACQUARIE CAPITAL (EUROPE) LIMITED **COMPANY NUMBER 3704031**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)**
23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2010 £	2009 £
Opening shareholders funds	16,815,466	19,020,475
Capital contribution from ultimate parent	209,032	147,841
Movement in foreign currency translation reserve	(414,211)	(133,065)
Loss for the year	(4,929,258)	(2,219,785)
Shares issued during the year	27,000,000	-
Closing shareholders funds	<u>38,681,029</u>	<u>16,815,466</u>

24 FINANCIAL COMMITMENTS

The Company has entered into lease agreements for office space and vehicles which are accounted for as operating leases. At 31 March 2010, future lease payments under the operating leases are as follows

	2010 £	2009 £
Within 1 year	18,750	-
Between 2 and 5 years	312,944	359,540
Greater than 5 years	-	-
	<u>331,694</u>	<u>359,540</u>

25 ULTIMATE PARENT UNDERTAKING

On 5 October 2009, the entire issued share capital of the Company was transferred from Macquarie Group Holdings (UK) No 3 Limited to Macquarie Group Holdings (UK) No 1 Limited

At 31 March 2010 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, which is the parent undertaking of the smallest and largest group to consolidate these financial statements, is Macquarie Group Limited, a company incorporated in Australia. Copies of the consolidated 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

26 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 25

27 CASH FLOW STATEMENT

The Company was a wholly owned subsidiary within the Macquarie 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)

MACQUARIE CAPITAL (EUROPE) LIMITED **COMPANY NUMBER 3704031****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010
(CONTINUED)****28 POST BALANCE SHEET DATE EVENTS**

On 6 April 2010, Macquarie Capital (Europe) completed the acquisition of the equity trading and derivatives business and FX Warrants book, and the Capital Markets Sales and Research business of Sal Oppenheim Jr & Cie

29 PILLAR III DISCLOSURE

For the purposes of the Financial Services Authority Pillar III disclosure requirements, the Company has made available the necessary documents on its European website. This can be found at <http://www.macquarie.com/eu/index.html>