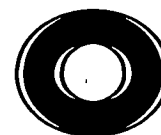


Macquarie Capital (Europe) Limited

COMPANY NUMBER 3704031

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2014



MACQUARIE

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

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Macquarie Capital (Europe) Limited

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Macquarie Capital (Europe) Limited

Strategic Report for the financial year ended 31 March 2014

In accordance with a resolution of the directors ("the Directors") of Macquarie Capital (Europe) Limited ("the Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities

The principal activities of the Company during the financial year ended 31 March 2014 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 employed staff who provided execution, settlement, issuance, arrangement and market making services to other members of the Macquarie Group. The business is currently being wound down.

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.

Review of operations

The loss for the financial year ended 31 March 2014 was £12,202,812, a decrease of 45 per cent from a loss of £22,244,814 in the previous year.

The operating loss for the year ended 31 March 2014 was £14,975,142, a decrease of 27 per cent from a loss of £20,394,497 in the previous year.

Total operating expenses for the year ended 31 March 2014 were £123,000,274 a decrease of 13 per cent from £142,043,181 in the previous year primarily due to the wind-down of the structured products & exotics business.

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.

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 26.

Strategic Report (continued) for the financial year ended 31 March 2014

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.

Macquarie Capital (Europe) Limited

Strategic Report (continued) for the financial year ended 31 March 2014

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 Strategic Report is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored at the Macquarie Group level.

On behalf of the Board

DAVID FASS
Director
18 July 2014



Macquarie Capital (Europe) Limited

Directors' Report for the financial year ended 31 March 2014

In accordance with a resolution of the Directors of 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 year and until the date of this report, unless disclosed otherwise, were:

D Fass
M Gummer
J Wentzel

The Secretaries who held office as a Secretary of the Company throughout the year and until the date of this report, unless disclosed otherwise, were:

H Everitt
J Greenfield (resigned on 3 May 2013)

Results

The loss after tax attributable to ordinary equity holders for the financial year ended 31 March 2014 was £12,202,812 (2013: £22,244,814).

Dividends paid or provided for

No dividends were paid or provided for during the financial year (2013: nil). No final dividend has been proposed.

State of affairs

The Company has branches in Germany, France, Ireland, Sweden and Amsterdam. It also has representative offices in Geneva and Zurich.

The Swedish branch was liquidated effective 31 March 2014.

On 20 November 2013, the Company issued 10,000,000 ordinary shares of £1 each to its immediate parent at that time Macquarie Group Holdings (UK) No. 1 Limited. It further issued 15,000,000 ordinary shares of £1 each to its immediate parent on 26 March 2014, and on 28 March 2014 it repaid the subordinated loan facility of £10,000,000 to Macquarie Capital Group Limited (UK Branch).

On 28 March 2014, the ownership of the Company was transferred from Macquarie Group Holdings (UK) No. 1 Limited to Macquarie Capital Group Limited (UK Branch).

The structured products and exotics business ceased to issue new products during 2012.

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.

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 2014 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.

Macquarie Capital (Europe) Limited

Directors' Report (continued) for the financial year ended 31 March 2014

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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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.

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.

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


DAVID FASS
Director

18 July 2014

Independent auditors' report to the members of Macquarie Capital (Europe) Limited

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Macquarie Capital (Europe) Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Strategic Report, Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

Independent auditors' report to the members of Macquarie Capital (Europe) Limited (continued)

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, 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 ISAs (UK & 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.



Carl Sizer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

18 July 2014

Macquarie Capital (Europe) Limited

Profit and loss account for the financial year ended 31 March 2014

	Notes	2014 £	2013 £
Turnover	1 (v)	107,850,758	121,241,459
Administrative expenses		(123,000,274)	(142,043,181)
Other operating income		174,374	407,225
Operating loss		(14,975,142)	(20,394,497)
Interest receivable and similar income	3	5,016,331	6,272,474
Interest payable and similar charges	4	(5,754,066)	(8,917,838)
Impairment of intangible assets		-	(2,393,714)
Loss on ordinary activities before taxation	2	(15,712,877)	(25,433,575)
Tax on loss on ordinary activities	5	3,510,065	3,188,761
Loss for the financial year		(12,202,812)	(22,244,814)

The above profit and loss account should be read in conjunction with the accompanying notes on pages 12 to 31.

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.

Macquarie Capital (Europe) Limited

Statement of total recognised gains and losses for the financial year ended 31 March 2014

	Notes	2014 £	2013 £
Loss after tax for the financial year		(12,202,812)	(22,244,814)
Other recognised gains/(losses):			
Actuarial loss on pension scheme	27	(92,350)	(404,524)
Deferred tax associated with actuarial loss	16	(105,924)	226,377
Exchange differences on translation of foreign operations, net of tax	16	1,098,977	(949,871)
Total other recognised gains/(losses) for the financial year		900,703	(1,128,018)
Total recognised loss for the financial year		(11,302,109)	(23,372,832)
Total recognised loss for the financial year that is attributable to:			
Ordinary equity holders of Macquarie Capital (Europe) Limited		(11,302,109)	(23,372,832)

The above statement of total recognised gains and losses should be read in conjunction with the accompanying notes on pages 12 to 31.

Macquarie Capital (Europe) Limited

Balance sheet as at 31 March 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	6	318,251	500,175
Investment	7	1	1
		318,252	500,176
Current assets			
Deferred tax assets	8	1,839,829	5,300,833
Debtors	9	554,716,371	341,548,785
Investment	10	1,881,348	2,493,440
Cash at bank and in hand	11	9,624,589	21,742,069
		568,062,137	371,085,127
Creditors: amounts falling due within one year	12	(527,526,730)	(329,041,096)
Net current assets		40,535,407	42,044,031
Total assets less current liabilities		40,853,659	42,544,207
Creditors: amounts falling due after more than one year	13	-	(10,000,000)
Provisions for liabilities	14	(2,751,271)	(9,197,046)
Net assets excluding pension (liability)/asset		38,102,388	23,347,161
Pension (liability)/asset	27	(668,790)	388,546
Net assets including pension (liability)/asset		37,433,598	23,735,707
Capital and reserves			
Called up share capital	15	105,901,000	80,901,000
Share premium account	15	4,999,000	4,999,000
Equity contribution from ultimate parent	15	1,807,047	1,807,047
Other reserves	16	37,843	(862,860)
Profit and loss account	16	(75,311,292)	(63,108,480)
Total shareholders' funds	17	37,433,598	23,735,707

The above balance sheet should be read in conjunction with the accompanying notes on pages 12 to 31.

The financial statements on pages 9 to 31 were approved by the board of directors on 18 July 2014 and were signed on its behalf by:

DAVID FASS
Director



Macquarie Capital (Europe) Limited

Notes to the financial statements for the financial year ended 31 March 2014

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 full consolidation 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 these financial statements 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 Company intends to adopt FRS 101 for the annual reporting period commencing from 1 April 2015. 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.

The impact of adoption of FRS 101 is being assessed, though the accounting policies of the Company that are likely to be impacted are:

- Foreign currency translation
- Deferred taxation
- Financial instruments

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 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.

iii) Revenue recognition

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

Interest income and expense

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.

Fee and commission income and expense

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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 1. Summary of significant accounting policies (continued)

iii) Revenue recognition (continued)

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 fee sharing arrangement with Macquarie Capital Group Limited;
- b) Brokerage commission income from trades introduced to Macquarie Securities (Australia) Limited and Macquarie Bank Limited (Hong Kong branch), 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 subsidiary and current asset 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 subsidiary

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 asset investment

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

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

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.

Investment in subsidiary

Investment in subsidiary undertaking is 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 investment, the carrying amounts of such investment is written down to its recoverable amount. The impairment of fixed asset investment is recognised as an expense in the profit and loss account. At each balance date, investment in subsidiary that has been impaired is reviewed for possible reversal of the impairment.

ix) Tangible assets

Tangible 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 is recorded at initial fair value less accumulated amortisation charges. 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
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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). Reversal of impairment for goodwill is not allowed.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

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, 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 20. The Company recognises an expense for its 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 using the number of equity instruments expected to vest. This amount is recognised as an expense 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 last four financial years.

Restricted Share Units (RSUs)/Deferred Share Units (DSUs) have been granted in the current year in respect of 2013. The fair value of each of these grants is estimated using MGL'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 MGL's share price as at 31 March 2014 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 when granted, and will use this valuation for recognising the expense over the remaining vesting period.

Where options and shares are issued by MGL to employees of the Company, and MGL is not subsequently reimbursed by those subsidiaries, the Company recognises the equity provided as a capital contribution from MGL. Where MGL 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.

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 profit and loss account, with a corresponding adjustment to equity in MGL.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

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 remuneration to be paid in cash.

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) 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.

xvii) 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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

	2014 £	2013 £
Note 2. Loss on ordinary activities before taxation		
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Wages and salaries	3,818,640	10,105,596
Social security costs	30,643	252,400
Staff resourcing charge from Macquarie Group undertakings	24,213,702	27,515,931
Other pension (credits)/costs	117,808	44,962
Share based payment costs	297,990	498,821
Staff costs	28,478,783	38,417,710
Foreign exchange gains	(174,374)	(407,225)
Fee allocations to other Macquarie Group undertakings	44,972,289	50,757,681
Internal fee and management fee expenses	6,327,029	4,973,918
Brokerage expenses	15,200,244	12,282,486
Depreciation charges	400,453	1,297,552
Amortisation of intangible assets	-	1,436,228
Impairment of intangible assets	-	2,393,714
Impairment of computer and communication equipment	-	82,272
Impairment of furniture, fittings and leasehold improvements	-	40,687
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	87,614	81,803
Note 3. Interest receivable and similar income		
Interest receivable from other Macquarie Group undertakings	4,950,414	6,246,555
Interest receivable from unrelated parties	65,917	25,919
Total interest receivable and similar income	5,016,331	6,272,474
Note 4. Interest payable and similar charges		
Interest payable to other Macquarie Group undertakings	5,611,638	8,692,800
Interest payable to unrelated parties	142,428	225,038
Total interest payable and similar charges	5,754,066	8,917,838

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

	2014 £	2013 £
Note 5. Tax on loss on ordinary activities		
Analysis of tax credit for the year:		
Current tax		
UK corporation tax at 23% (2013: 24%)	(4,607,766)	(4,304,219)
Adjustments to tax in respect of prior years	(2,999,578)	1,579,856
Foreign tax incurred	608,594	1,882,000
Total current tax	(6,998,750)	(842,363)
Deferred tax		
Origination and reversal of timing differences	1,053,003	(1,434,602)
Adjustments to tax in respect of prior years	2,154,860	(1,144,875)
Change in tax rate	280,822	233,079
Total deferred tax	3,488,685	(2,346,398)
Tax on loss on ordinary activities	(3,510,065)	(3,188,761)

The taxation credit for the year ended 31 March 2014 is higher (2013: lower) than the standard rate of corporation tax in the United Kingdom of 23% (2013: 24%). The differences are explained below:

Loss on ordinary activities before taxation	(15,712,877)	(25,433,575)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 23% (2013: 24%)	3,613,962	6,104,058
Effects of:		
Adjustment to tax charge in respect of prior years	2,999,578	(1,579,856)
Capital allowance in excess of depreciation	(109,982)	(351,521)
Non deductible expenses	(172,672)	(791,624)
Foreign tax incurred	(608,594)	(1,882,000)
Deduction for foreign tax incurred	113,473	400,002
Employment expense related timing differences	107,258	(1,100,301)
Other timing differences	1,055,727	43,605
Total current tax	6,998,750	842,363

The UK Government has enacted a reduction in the main rate of corporation tax from 23% to 21% from 1 April 2014 and then from 21% to 20% from 1 April 2015.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

	2014 £	2013 £
Note 6. Tangible assets		
Furniture, fittings and leasehold improvements		
Cost	2,179,730	2,414,551
Less accumulated depreciation and impairment	(2,009,222)	(1,951,969)
Total furniture, fittings and leasehold improvements	170,508	462,582
Communication equipment		
Cost	10,638	286,846
Less accumulated depreciation and impairment	(10,638)	(284,546)
Total communication equipment	-	2,300
Computer equipment		
Cost	5,357,447	8,112,537
Less accumulated depreciation and impairment	(5,209,704)	(8,077,244)
Total computer equipment	147,743	35,293
Total tangible assets	318,251	500,175

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	462,582	2,300	35,293	500,175
Acquisitions	91,208	-	141,673	232,881
Disposals*	(11,291)	(73)	(1,200)	(12,564)
Foreign exchange movements	(4,205)	-	2,417	(1,788)
Depreciation expense	(367,786)	(2,227)	(30,440)	(400,453)
Balance at the end of the financial year	170,508	-	147,743	318,251

* These assets were disposed off at a loss of £11,894.

Note 7. Fixed asset investment

	2014 £	2013 £
Investment at cost	1	1
Total investment in subsidiary	1	1

Name of investment	Nature of business	Country of incorporation	% ownership	2014 £	2013 £
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.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

	2014 £	2013 £
Note 8. Deferred tax assets		
The balance comprises temporary differences attributable to:		
Other assets and liabilities	216,187	3,439,526
Fixed assets	1,623,642	1,861,307
Total deferred tax assets	1,839,829	5,300,833
Reconciliation of the Company's movement in deferred tax assets:		
Balance at the beginning of the financial year	5,300,833	2,854,742
Timing differences:		
Amounts (charged)/credited to profit and loss	(1,053,003)	1,434,601
Adjustments to tax in respect of prior years	(2,154,860)	1,144,876
Amounts credited to reserves	22,833	97,084
Change in tax rate	(280,822)	(233,079)
Change in tax rate relating to reserves	4,848	2,609
Balance at the end of the financial year	1,839,829	5,300,833

The UK Government has enacted a reduction in the main rate of corporation tax from 23% to 21% from 1 April 2014 and then from 21% to 20% from 1 April 2015. The closing deferred tax balance is recognised at 20%.

The company has unrecognised deferred tax assets of £680,000 (2013: £780,000) in relation to tax losses and £77,000 (2013: £173,000) in relation to unrelieved foreign tax. These amounts have not been recognised due to uncertainty over their recoverability.

Note 9. Debtors

Broking trade debtors	359,252,868	251,963,686
Amounts owed by other Macquarie Group undertakings	165,491,904	71,382,815
Fees and other receivables	15,192,666	8,135,006
Other trade debtors	5,619,056	5,235,695
VAT recoverable	3,162,527	1,344,034
Prepayment and other debtors	173,197	1,098,606
Deferred employee retentions	-	11,334
Taxation	5,824,153	2,377,609
Total debtors	554,716,371	341,548,785

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 2014 the rate applied ranged between LIBOR plus 1.36% and LIBOR plus 2.98% (2013: between LIBOR plus 1.40% and LIBOR plus 3.96%).

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

	2014	2013
	£	£

Note 10. Current asset investment

Equity securities	1,881,348	2,493,440
Total current asset investment	1,881,348	2,493,440

The above represents investment in Firstextile AG. In 2013, 295,505 shares constituting 2.5% stake in Firstextile AG were purchased. During the year, 67,831 of these shares were sold. The fair value of the investment approximates its carrying value.

Note 11. Cash at bank and in hand

Cash at bank	9,504,782	21,608,680
Cash held with other Macquarie Group undertaking	119,588	133,165
Cash in hand	219	224
Total cash at bank and in hand	9,624,589	21,742,069

Note 12. Creditors: Amounts falling due within one year

Due to brokers and customers ¹	441,223,440	254,949,508
Amounts owed to other Macquarie Group undertakings ²	75,529,383	56,194,776
Trade creditors	7,987,880	13,298,192
Other creditors	2,786,027	4,598,620
Total creditors	527,526,730	329,041,096

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 2014 the rate applied was LIBOR plus 2.91% (2013: LIBOR plus 3.96%).

Note 13. Creditors: Amounts falling due after more than one year

Subordinated loan notes	-	10,000,000
Total creditors	-	10,000,000

On 1 November 2007, the Company was granted a subordinated loan facility of £10,000,000 from Macquarie Capital Group Limited (UK Branch). Interest is calculated on a daily basis at LIBOR plus 100 basis points. The loan was repaid on 28 March 2014.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

	2014 £	2013 £
Note 14. Provisions for liabilities		
Provision for employee entitlements	1,380,988	2,529,738
Restructuring provision	1,370,283	6,667,308
Total provisions	2,751,271	9,197,046

Reconciliation of provisions:

	Employee provision £	Restructuring provision £	Total £
Balance at the beginning of the financial year	2,529,738	6,667,308	9,197,046
Provisions made during the year	999,669	-	999,669
Provisions used during the year	(1,307,892)	(4,655,179)	(5,963,071)
Transfers to related body corporate entities	(209,034)	-	(209,034)
Provisions reversed during the year	(562,762)	-	(562,762)
Foreign exchange movements	(68,731)	(641,846)	(710,577)
Balance at the end of the financial year	1,380,988	1,370,283	2,751,271

Restructuring provision is in relation to the restructure of the Structured Products and Exotics business. The remaining provision as at 31 March 2014, is expected to be utilised over the next year.

Note 15. Called up share capital and share premium

	2014 Number of shares	2013 Number of shares	2014 £	2013 £
Ordinary share capital				
Opening balance of fully paid ordinary shares	80,901,000	60,901,000	80,901,000	60,901,000
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 28 March 2013 at £1 per share	-	10,000,000	-	10,000,000
Issue of 10,000,000 ordinary shares on 20 November 2013 at £1 per share	10,000,000	-	10,000,000	-
Issue of 15,000,000 ordinary shares on 26 March 2014 at £1 per share	15,000,000	-	15,000,000	-
Closing balance of fully paid ordinary shares	105,901,000	80,901,000	105,901,000	80,901,000
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			1,807,047	1,801,040
Additional equity contribution from the ultimate parent entity			-	6,007
Closing balance of equity contribution from ultimate parent entity			1,807,047	1,807,047

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

	2014 £	2013 £
Note 16. Reserves and profit and loss account		
Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	(1,190,395)	(240,524)
Currency translation differences arising during the financial year	1,098,977	(949,871)
Balance at the end of the financial year	(91,418)	(1,190,395)
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.		
Retirement benefit reserve		
Balance at the beginning of the financial year	327,535	505,682
Actuarial loss on pension schemes	(92,350)	(404,524)
Deferred tax associated with actuarial loss	(105,924)	226,377
Balance at the end of the financial year	129,261	327,535
Total reserves	37,843	(862,860)
Profit and loss account		
Balance at the beginning of the financial year	(63,108,480)	(40,863,666)
Loss attributable to ordinary equity holders of Macquarie Capital (Europe) Limited	(12,202,812)	(22,244,814)
Balance at the end of the financial year	(75,311,292)	(63,108,480)
Total profit and loss account	(75,311,292)	(63,108,480)

Note 17. Reconciliation of movements in shareholder funds

Balance at the beginning of the financial year	23,735,707	27,102,532
Equity contribution from the ultimate parent	-	6,007
Movement in foreign currency translation reserve	1,098,977	(949,871)
Loss for the financial year	(12,202,812)	(22,244,814)
Net movement in retirement benefit reserve	(198,274)	(178,147)
Shares issued during the year	25,000,000	20,000,000
Balance at the end of the financial year	37,433,598	23,735,707

Note 18. 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 26.

The Company does not have any related party transactions or balances other than those with entities which form part of the Macquarie Group as mentioned above.

Note 19. Directors' remuneration

During 2014 and 2013, 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 accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 20. Employee equity participation

Macquarie Group Employee Retained Equity Plan

In December 2009, MGL'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 MGL 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. MGL 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 MGL in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders generally of MGL 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 MGL shares. DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical.

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

	Number of RSU Awards 2014	Number of RSU Awards 2013
RSUs on issue at the beginning of the financial year	10,458	7,212
Consolidation of one ordinary share into 0.9438 ordinary shares*	(75)	-
Vested RSU awards withdrawn from the MEREP during the financial year	(614)	(8,212)
Transfers (to)/from related body corporate entities	(8,501)	11,458
RSUs on issue at the end of the financial year	1,268	10,458
RSUs vested and not withdrawn from the MEREP at the end of the financial year	-	-

*Consolidation applied to MGL shares held in the MEREP as at the record date for the consolidation.

There were no RSU awards granted during the current or prior financial year.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 20. Employee equity participation (continued)

	Number of DSU Awards 2014	Number of DSU Awards 2013
DSUs on issue at the beginning of the financial year	56,876	163,333
Consolidation of one ordinary share into 0.9438 ordinary shares*	(1,556)	-
Granted during the financial year	5,011	13,614
Transfers to related body corporate entities	(239)	(19,876)
Exercised during the financial year	(30,735)	(57,120)
Forfeited during the financial year	(3,690)	(43,075)
DSUs on issue at the end of the financial year	25,667	56,876
DSUs exercisable at the end of the financial year	2,997	18,995

*Consolidation applied to MGL shares held in the MEREP as at the record date for the consolidation.

The weighted average fair value of the DSU Awards granted during the financial year was AU\$41.52 (2013: AU\$26.64).

For the year ended 31 March 2014, compensation expense relating to the MEREP totalled £297,990 (2013: £492,255).

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

- staff other than Executive Directors with retained profit share (Retained Profit Share Awards) and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed allocation of MEREP awards (Promotion Awards);
- new Macquarie Group staff who commence at Associate Director, Division Director or Executive Director level and are awarded either a fixed number of MEREP awards or a fixed Australian dollar value, depending on level (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
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.

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 example, staff may have a different vesting period due to local regulatory requirements.

For Retained Profit Share Awards representing 2013 retention, the allocation price was the weighted average price of the Shares acquired for the 2013 Purchase Period, which was 14 May 2013 to 25 June 2013 inclusive (excluding the period from 23 May to 6 June 2013). That price was calculated to be AU\$43.56 (2013 retention: AU\$26.97).

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 20. Employee equity participation (continued)

Option Plan

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

Options on issue during the year were all five year options over fully paid unissued ordinary shares in MGL 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 2014 there were no participants in the MGESOP (2013: 4) that are employees of the Company.

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

	Number of options 2014	Weighted average exercise price 2014 AU\$	Number of options 2013	Weighted average exercise price 2013 AU\$
Outstanding at the beginning of the financial year	13,000	53.91	61,030	64.37
Forfeited during the financial year	-	-	(52)	32.39
Exercised during the financial year	-	-	(3,000)	32.39
Transfers to related body corporate entities	-	-	(4,600)	72.99
Lapsed during the financial year	(13,000)	53.91	(40,378)	69.22
Outstanding at the end of the financial year	-	-	13,000	53.91
Exercisable at the end of the financial year	-	-	13,000	53.91

There were no options exercised during the financial year. For options exercised during the previous financial year the weighted average share price at the date of exercise was AU\$33.58.

There are no options outstanding at the end of the financial year. The weighted average exercise price for options outstanding at the end of the previous financial year was AU\$53.91.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 20. Employee equity participation (continued)

Option Plan (continued)

The weighted average remaining contractual life for the share options outstanding as at 31 March 2013 was 0.39 years. The weighted average remaining contractual life when analysed by exercise price range was:

Exercise price range (AU\$)	Number of options 2014	Remaining life (years) 2014	Number of options 2013	Remaining life (years) 2013
50 – 60	-	-	13,000	0.39
	-	-	13,000	0.39

There were no options issued in the financial year.

There were no options exercised during the current financial year. The market value of shares issued during the prior financial year as a result of the exercise of these options was AU\$100,752.

There are no outstanding options at 31 March 2014. The market value of shares which would be issued from the exercise of the outstanding options at 31 March 2013 was AU\$482,950. No unissued shares, other than those referred to above, are under option under the MGESOP as at the date of this report.

The options were 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.

Options granted vest in three equal tranches after the second, third and fourth anniversaries of the date of allocation of the options. Subject to the MGESOP rules and MGL's personal dealing policy, options can be exercised after the vesting period during an options exercise period 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.

For options granted to the members of MBL and MGL's Executive Committee, Executive Voting Directors and other Executive Directors where the invitation to apply for the options was sent to the Executive on or after 30 June 2006, in respect of each tranche of vested options, options will only be exercisable if MGL's average annual return on ordinary equity for the three previous financial years is above the 65th (Executive Committee and Executive Voting Directors) and 50th (other Executive Directors) percentiles, of the corresponding figures for all companies in the then S&P/ASX 100 Index, with the conditions to be examined only upon vesting. During the year ended 31 March 2013 the final tranches of these options failed to meet the performance hurdles and consequently did not vest.

Fully paid ordinary shares issued on the exercise of options rank *pari passu* with all other fully paid MGL ordinary shares then on issue.

The options do not confer any right to directly participate in any share issue or interest issue by MGL or any other body corporate or scheme and carry no dividend or voting rights. The options include terms that provide for the adjustment of the number of options, the exercise price and/or the number of shares to be issued on the exercise of options, in the following circumstances:

- an issue of new shares by way of capitalisation of profits or reserves;
- an issue to holders of shares of rights (pro-rata with existing shareholdings) to subscribe for further shares;
- a pro-rata bonus issue;
- a subdivision, consolidation, cancellation or return of capital;
- other reorganisations.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 20. Employee equity participation (continued)

Option Plan (continued)

These terms are consistent with the ASX Listing Rules for the adjustment of options in these circumstances which are intended to ensure that these types of transactions do not result in either a dilution of option holders' interest or an advantage to option holders which holders of ordinary shares do not receive.

For the year ended 31 March 2014, there was no compensation expense relating to exchangeable shares, retention securities and option plans (2013: £6,170).

Note 21. Contingent liabilities and commitments

The Company has no commitments or contingent assets/liabilities which are individually material or a category of commitments or contingent liabilities which are material.

Note 22. Lease commitments

The Company has entered into lease agreements for office space and vehicles which are accounted for as operating leases. At 31 March 2014, future lease payments under the operating leases are as follows:

	2014	2013
	£	£
Non-cancellable operating leases expiring:		
Not later than one year	36,943	1,769,268
Later than one year and not later than two years	36,646	705
Later than two year and not later than five years	2,615	38,391
Later than five years	398,415	-
Total operating lease commitments	474,619	1,808,364

Total operating lease commitments includes £469,726 in relation to leases over land and buildings (2013: £1,800,268).

Note 23. 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.

Note 24. 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 FRS 1 (revised 1996).

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Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 25. Employee Information

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

	Number of employees 2014	Number of employees 2013
By activity:		
Advisory and sales	19	54
Administration and support services	14	36
Total employees	33	90

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

Note 26. Ultimate Parent Undertaking

At 31 March 2014, the immediate parent undertaking of the Company is Macquarie Capital Group Limited (UK Branch).

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 27. Pension commitments

The most recent actuarial valuations of the Macquarie Capital (Europe) Limited defined benefit pension plan was at 31 March 2014. 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:

	2014 %	2013 %
Discount rates	2.94	3.15
Expected rate of return on assets	2.82	1.36
Rate of increase in salaries	0.59	0.66
Inflation assumptions	1.41	1.34

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Swiss and German plans at 31 March 2014 are summarised in the table below. These are based on the BVG 2010 actuarial tables.

	Switzerland 2014	Switzerland 2013	Germany 2014	Germany 2013
Longevity at age 65 – current				
Men	23.16	23.08	18.71	18.57
Women	25.59	25.52	22.79	22.66
Longevity at age 65 – future				
Men	21.39	21.29	22.02	21.90
Women	23.86	23.76	25.94	25.82

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Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 27. Pension commitments (continued)

Plan assets and rates of return were as follows:

	Long-term rate of return expected 31 March 2014 %	Value at 31 March 2014 £	Long-term rate of return expected 31 March 2013 %	Value at 31 March 2013 £
Cash	2.47	2,076,343	2.42	2,643,656
Equity	4.1	104,130	4.0	96,923
Debt Securities	4.1	416,519	4.0	441,536
Total market value of assets		2,596,992		3,182,115
Present value of plan liabilities		(3,265,782)		(3,300,746)
Net (deficit) of the plan		(668,790)		(118,631)
Related deferred tax		153,822		28,471
Net pension plan (liability)/asset		(514,968)		(90,160)

Reconciliation of present value of scheme liabilities:

	2014 £	2013 £
Balance at the beginning of the financial year	3,300,746	4,096,338
Current service cost	121,183	154,896
Past service cost	(18,527)	-
Interest cost	91,168	93,644
Contributions by plan participants	29,223	62,295
Foreign currency exchange rate movements	(69,449)	(3,795)
Premiums paid	(22,471)	(25,060)
Benefits (paid)/received from the plan	(4,820)	49,498
Actuarial gain	43,164	443,816
Curtailments	-	(150,427)
Settlements	(204,435)	(1,420,459)
Balance at the end of the financial year	3,265,782	3,300,746

Reconciliation of fair value of scheme assets:

Balance at the beginning of the financial year	3,182,115	4,171,988
Expected return on scheme assets	76,016	53,151
Actuarial (losses)/gains	(49,186)	39,292
Foreign currency exchange rate movements	(58,563)	(10,956)
Premiums paid	(22,471)	(25,060)
Contributions paid by participants	29,223	62,295
Benefits paid from the plan	(4,820)	49,498
Contributions paid by employer	(202,974)	262,366
Settlements	(352,348)	(1,420,459)
Balance at the end of the financial year	2,596,992	3,182,115

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 £26,830 (2013: £92,443).

It is estimated that in the year to 31 March 2015, the Company will make additional contributions to scheme of £70,930.

Macquarie Capital (Europe) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2014

Note 27. Pension commitments (continued)

Amounts recognised in the profit or loss account are as follows:

	2014	2013
	£	£
Current service cost	121,183	154,896
Past service cost	(18,527)	-
Expected return on pension scheme assets	(76,016)	(53,151)
Interest on pension scheme liabilities	91,168	93,644
Gain associated with curtailment	-	(150,427)
Total charge	117,808	44,962

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

Experience adjustments in plan assets	(49,186)	39,292
Experience adjustments in plan liabilities	(43,164)	(443,816)
Total actuarial gain recognised in statement of total recognised gains and losses	(92,350)	(404,524)

Note 28. Events after the Reporting Year

There were no material events subsequent to 31 March 2014 that have not been reflected in the Financial Statements.