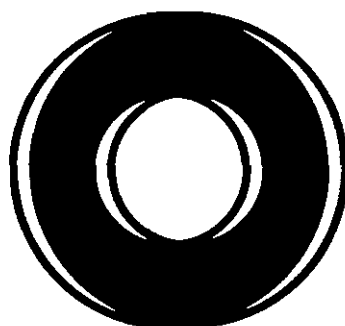


Company Registration Number : 3704031

MACQUARIE EQUITIES (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2002**



MACQUARIE



MACQUARIE EQUITIES (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

CONTENTS	PAGE
General information	1
Directors' report	2-3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-13

MACQUARIE EQUITIES (UK) LIMITED

GENERAL INFORMATION**Directors**

M Bennett
C Nelson
R Hudson (resigned 15 February 2002)
M Konda (resigned 15 February 2002)
S Allen (resigned 31 January 2002)
J Roberts (appointed 31 January 2002)
B Preston (appointed 27 March 2002)
A Evans (appointed 27 March 2002)

Secretaries

M Taylor (resigned 29 June 2001)
D Walmsley (appointed 29 June 2001)

Registered Office

Level 30
CityPoint
1 Ropemaker Street
London EC2Y 9HD

Auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank Plc
PO Box 181
27-32 Poultry
London EC2P 2BX

Company number: 3704031

MACQUARIE EQUITIES (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for Macquarie Equities (UK) Limited ("the Company") for the year ended 31 March 2002.

REVIEW OF THE BUSINESS

The Company operates as a trader in equities and equity derivatives in the major markets of Europe. The Company manages its risk by entering into countervailing transactions with the market, or by selling its principal positions to its ultimate parent undertaking, Macquarie Bank Limited, Sydney. The Company is a member of the London International Financial Futures and Options Exchange, Eurex and is regulated by the Financial Services Authority (FSA).

The Company continued to second staff to an unrelated Japanese financial institution.

During the year, the Company commenced an Enhanced Equities business to trade United Kingdom equities with a view to outperforming the FTSE All Share Index.

RESULTS AND DIVIDENDS

The Company's loss for the year amounts to £137,362 (2001: loss of £27,796). No dividend is proposed (2001: £Nil).

DIRECTORS AND THEIR INTERESTS

The directors holding office during the year were as follows:

M Bennett
C Nelson
R Hudson (resigned 15 February 2002)
M Konda (resigned 15 February 2002)
S Allen (resigned 31 January 2002)
J Roberts (appointed 31 January 2002)
B Preston (appointed 27 March 2002)
A Evans (appointed 27 March 2002)

None of the directors had an interest in any material contract with the Company during the year. None of the directors held interests in shares of the Company during the year.

CREDITORS PAYMENT POLICY

It is the Company's policy to agree the terms of payment to creditors at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations.

MACQUARIE EQUITIES (UK) LIMITED

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

On 23 May 2002, Macquarie Bank Limited granted the Company a subordinated loan for £500,000. Interest is payable at 3.9% and the loan is repayable when notice is given in writing by the Company, being the borrower, or by the lender.

AUDITORS

Pursuant to section 386 of the Companies Act 1985, an elective resolution was passed resolving that the Company dispense with the requirement to appoint auditors annually. PricewaterhouseCoopers will accordingly remain as auditors until the Company decides otherwise in general meeting.

ANNUAL GENERAL MEETING

The Company has dispensed with the obligation to hold an Annual General Meeting, as permitted under section 366A of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. In preparing financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board of directors
and signed on behalf of the board



Director
27 June 2002

MACQUARIE EQUITIES (UK) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MACQUARIE EQUITIES (UK) LIMITED**

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention, as modified by the revaluation of trading equities and derivatives to market value, and the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and the United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

27 June 2002

MACQUARIE EQUITIES (UK) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002 £	2001 £
TURNOVER		309,081	209,693
Administrative expenses		<u>(356,230)</u>	<u>(264,590)</u>
OPERATING LOSS		(47,149)	(54,897)
Interest receivable and similar income	3	46,892	27,123
Interest payable and similar charges	4	<u>(122,039)</u>	<u>(22)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(122,296)	(27,796)
Tax on loss on ordinary activities	6	(15,066)	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(137,362)</u>	<u>(27,796)</u>
ACCUMULATED LOSS BROUGHT FORWARD		<u>(27,796)</u>	-
ACCUMULATED LOSS CARRIED FORWARD		<u><u>(165,158)</u></u>	<u><u>(27,796)</u></u>

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

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

A statement of total recognised gains and losses has not been provided as all gains and losses are dealt with in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

MACQUARIE EQUITIES (UK) LIMITED**BALANCE SHEET AS AT 31 MARCH 2002**

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	<u>6,554</u>	<u>-</u>
		6,554	-
CURRENT ASSETS			
Debtors	9	232,970	410,317
Investments	10	7,083,648	-
Cash at bank and in hand	11	<u>3,523,768</u>	<u>1,000,000</u>
		10,840,386	1,410,317
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(10,012,098)	(438,113)
NET CURRENT ASSETS		<u>828,288</u>	<u>972,204</u>
TOTAL NET ASSETS		<u>834,842</u>	<u>972,204</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,000,000	1,000,000
Profit and loss account		<u>(165,158)</u>	<u>(27,796)</u>
SHAREHOLDERS' FUNDS	14	<u>834,842</u>	<u>972,204</u>

The notes on pages 7 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on 27 June 2002.

Signed on behalf of the board of directors



Director

MACQUARIE EQUITIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002**1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention in accordance with Schedule 4 to the Companies Act 1985, as modified by the revaluation of trading equities and derivatives to market value, and with applicable accounting standards.

Financial Reporting Standard 17 "Post retirement benefits", Financial Reporting Standard 18 "Accounting policies" and Financial Reporting Standard 19 "Deferred tax" have been adopted in the current year. No adjustments to the financial statements were necessary.

The particular policies adopted are described below as follows:

a) TURNOVER

Turnover includes:

- (i) Realised and unrealised profits and losses arising on securities held for resale less, where appropriate, other direct charges;
- (ii) Transactions that are entered into for trading purposes or used as hedges for other trading instruments are carried at market value, with the resultant gains and losses recognised as turnover;
- (iii) Amounts relating to staff secondments to overseas companies, which are brought to account in accordance with agreements in place; and
- (iv) Gains and losses arising from foreign currency exposure.

b) FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies which are not covered by forward exchange contracts are translated to sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

c) INTEREST

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

MACQUARIE EQUITIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002
(CONTINUED)****d) TAXATION**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

e) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided in equal monthly instalments on a straight line basis over the estimated useful lives of the assets. The rates of depreciation are as follows:

Furniture and fittings	25% per annum
Office equipment	20% per annum
Computers	20% - 33% per annum

f) INVESTMENTS

Investments held as current trading assets are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit for the year of the Company since the marketability of the investments enables decisions to be taken continually about whether to hold or sell them and hence the economic measure of profit in any period is made by reference to market values.

It is not practicable to quantify the effect on the financial statements of this departure, since information on original cost, being of no continuing relevance to the business, is not available.

g) CASH AT BANK AND IN HAND

Cash at bank and in hand comprises cash on hand, deposits held at call with banks and other short-term highly liquid investments.

MACQUARIE EQUITIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

2. SEGMENTAL REPORTING

All income and expenses for the current and prior year were generated within the United Kingdom. Income, expenses and net assets for the prior year were wholly attributable to the Equity Markets business.

Business Segments

For the year ending 31 March 2002

	2002 Enhanced Equities £	2002 Equity Markets £	2002 Other £	2002 Total £
Turnover	94,838	213,257	986	309,081
Profit/(loss) on ordinary activities before taxation	(232,350)	156,758	(46,704)	(122,296)
Net assets/(liabilities)	(232,350)	1,128,962	(61,770)	834,842

3. INTEREST RECEIVABLE AND SIMILAR INCOME

All interest receivable and similar income recognised during the year was from the ultimate parent undertaking.

4. INTEREST PAYABLE AND SIMILAR CHARGES

All interest payable and similar charges recognised during the year was payable to the ultimate parent undertaking.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:-

	2002 £	2001 £
Foreign exchange losses	2,194	4,156
Secondment costs	181,959	206,417
Depreciation expense	514	-
Auditors' remuneration:		
Statutory audit	17,500	-
Fees for non-audit services	14,157	-

Auditors' remuneration for the year ended 31 March 2001 was borne by Macquarie Bank Limited, the Company's ultimate parent undertaking.

The average number of persons employed by the Company during the year calculated on a quarterly basis was Nil (2001: 1).

MACQUARIE EQUITIES (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002
(CONTINUED)****6. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2002	2001
	£	£
Loss on ordinary activities before taxation	122,296	27,796
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2001: 30%)	-	-
Effects of:		
Under provision in respect of prior years	15,066	-
	<u>15,066</u>	<u>-</u>

There is no tax expense in the current year as the Company is in a loss position for both accounting and tax purposes.

7. DIRECTORS' REMUNERATION

All directors of the Company are directors of other members of the Macquarie Bank group and it is considered that an insignificant amount of their time relates to Macquarie Equities (UK) Limited. Accordingly, no separate remuneration has been disclosed and their total emoluments are set out in the consolidated financial statements of Macquarie Bank Limited, copies of which are available as prescribed in note 15.

8. TANGIBLE FIXED ASSETS

	Office furniture, fixtures and fittings £
COST	
At 1 April 2001	-
Additions	7,068
At 31 March 2002	<u>7,068</u>
ACCUMULATED DEPRECIATION	
At 1 April 2001	-
Charge for the period	514
At 31 March 2002	<u>514</u>
NET BOOK VALUE	
31 March 2002	<u>6,554</u>
31 March 2001	<u>-</u>

MACQUARIE EQUITIES (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002
(CONTINUED)****9. DEBTORS**

	2002	2001
	£	£
VAT recoverable	4,639	-
Fees receivable	117,934	-
Amounts owed by ultimate parent undertaking	-	198,628
Amounts owed by other group undertakings	9,761	-
Dividends receivable	66,631	-
Other debtors	34,005	211,689
	<u>232,970</u>	<u>410,317</u>

Amounts owed by other group undertakings are unsecured and have no fixed date of repayment. Although no interest has been charged in the current year, the Company has the right to charge interest at a future date in respect of the current year.

10. INVESTMENTS

	2002	2001
	£	£
Listed on London Stock Exchange	<u>7,083,648</u>	<u>-</u>

The Company commenced its Enhanced Equities business in December 2001. The objective of the business is to trade in United Kingdom equities essentially matching the mix of equities making up the FTSE All Share index with a view to outperforming the index. The use of capital to invest in United Kingdom equities is fully hedged to minimise the risk of capital loss.

Two equal and opposite swaps have been entered into with the ultimate parent undertaking. These swaps expire in December 2002.

11. CASH AT BANK AND IN HAND

	2002	2001
	£	£
Cash held with ultimate parent undertaking	1,098,962	1,000,000
Cash held with other banks	2,424,806	-
	<u>3,523,768</u>	<u>1,000,000</u>

MACQUARIE EQUITIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002
(CONTINUED)**
12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Amounts owed to ultimate parent undertaking	9,817,118	330,595
Taxation	15,066	-
Other creditors	179,914	107,518
	<u>10,012,098</u>	<u>438,113</u>

Amounts owed to ultimate parent undertaking are unsecured and have no fixed date of repayment. Interest has been charged at 4.09%.

13. SHARE CAPITAL

	2002	2001
	£	£
AUTHORISED		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Issue of ordinary share capital	-	500,000
Retained loss for the financial year	(137,362)	(27,796)
Opening shareholders' funds	972,204	500,000
Closing shareholders' funds	<u>834,842</u>	<u>972,204</u>

MACQUARIE EQUITIES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002
(CONTINUED)****15. ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Macquarie European Holdings Pty Limited, a company incorporated in Australia, which is the smallest group to prepare consolidated financial statements. Copies of group financial statements for Macquarie European Holdings Pty Limited can be obtained from the Company Secretary, Level 15, No. 1 Martin Place, Sydney, New South Wales, 2000, Australia.

The ultimate parent undertaking and controlling party of Macquarie Equities (UK) Limited, which is the parent undertaking of the largest group to prepare consolidated financial statements, is Macquarie Bank Limited, a company incorporated in Australia. Copies of group financial statements for Macquarie Bank Limited can be obtained from the Company Secretary, Level 15, No. 1 Martin Place, Sydney, New South Wales, 2000, Australia.

16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under Financial Reporting Standard 8, paragraph 3(c), not to disclose related party transactions with members of the group.

17. POST BALANCE SHEET EVENTS

On 23 May 2002, Macquarie Bank Limited granted the Company a subordinated loan for £500,000. Interest is payable at 3.9% and the loan is repayable when notice is given in writing by the Company, being the borrower, or by the lender.

18. CASH FLOW STATEMENT

The Company was a wholly owned subsidiary of Macquarie European Holdings Pty Limited throughout the year and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of the Financial Reporting Standard 1 (revised 1996).