MACQUARIE CPS TRUST
2012 ANNUAL REPORT

MACQUARIE

MACQUARIE CPS TRUST ARSN 129 962 358

Contents

Macquarie Capital Loans Management Limited (MCLML) ABN 18 077 595 012, AFSL 241106, a wholly-owned subsidiary of Macquarie Group Limited (ABN 94 122 169 279), is the responsible entity of Macquarie CPS Trust (CPS Trust) ARSN 129 962 358 and the issuer of Convertible Preference Securities (CPS). The CPS Trust is a registered managed investment scheme.

AFSL 241106

Corporate Governance Statement

Macquarie CPS Trust–Legal and Corporate Governance Framework

Macquarie CPS Trust (the Trust) is a special purpose trust, established as a funding vehicle for Macquarie Group Limited (Macquarie). Its sole purpose is to issue Macquarie Convertible Preference Securities (CPS) and subscribe for shares in Macquarie CPS LLC. This was effected in July 2008 when CPS were issued and quoted on the Australian Securities Exchange (ASX). Macquarie CPS LLC, in turn, invested those proceeds in subordinated notes issued by Macquarie (UK) Group Services Limited (the Investment). Macquarie Capital Loans Management Limited (the Manager) is the responsible entity of the Trust and a member of the Macquarie Group of entities.

The primary ongoing role of the Trust is to administer the payment of distributions to the holders of CPS (Holders) under the terms of the CPS. This means the main decision to be made by the Manager as responsible entity of the Trust is the decision to authorise the payment of distributions. The terms of the CPS are very prescriptive as to how distributions are calculated and when they are to be paid and so this is an area in which Directors have little discretion.

The constitution of the Trust limits the powers of the Manager generally in its capacity as the responsible entity of the Trust. Specifically, the constitution provides that the Manager must not acquire any interest in any asset other than the Investment; interests in bank accounts in which income or capital of the Trust is invested; cash, rights and benefits under the transaction documents; and income or other rights arising in connection with those assets.

Under the *Corporations Act 2001* (Cth) (Corporations Act) and the general law, the Manager has a duty to manage the Trust in the best interests of members. The Corporations Act requires the Manager to, among other duties, act honestly and in accordance with a duty of care and diligence.

To conduct its activities the Manager holds an Australian Financial Services Licence (AFSL) issued by the Australian Securities & Investments Commission (ASIC). To retain its AFSL, the Manager must comply with specific requirements. These include meeting certain financial requirements, maintaining appropriate risk management and compliance systems and properly training and supervising its employees and agents.

Under the Corporations Act, the Manager must administer the Trust in accordance with a written constitution and must also prepare and lodge with ASIC a detailed compliance plan (see Principle 7 below).

The constitution of the Trust governs, among other things, how the Trust must operate, the rights of the members, and how remuneration of the Manager is calculated (see Principle 8 below). The Compliance Plan sets out the mechanisms in place to ensure compliance with the constitution and the Corporations Act.

ASX Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council (the Council) has issued Corporate Governance Principles and Recommendations (the *Principles*) which are designed to maximise corporate performance and accountability in the interests of investors and the broader community. The Principles encompass matters such as board composition, committees and compliance procedures.

The Principles can be viewed at www.asx.com.au. The *Principles* are not prescriptive; however, listed entities including the Trust are required to disclose the extent of their compliance with the certain specific recommendations set by the Council under the *Principles* (Council Recommendations), and to explain why they have not adopted a Council Recommendation if they consider it inappropriate in their particular circumstances.

Given the special purpose nature of the Trust and the prescribed nature of the Manager's powers in relation to the Trust, the Manager has determined that a number of the *Principles* are not appropriate for the Trust or are not relevant.

The Trust's 2012 corporate governance statement is in the form of a report against the *Principles*. The Trust's corporate governance policies diverge from the Council Recommendations in a number of respects, as highlighted below.

Principle 1: Lay solid foundations for management and oversight

Board of directors

Responsibility for corporate governance and management of the Trust rests with the Board of the Manager.

As outlined above, the Trust has limited operational activity and the Manager has limited discretion in respect of the day to day management of the Trust. To the extent that any material exercise of discretion or other decision making authority is required, that discretion or authority is exercised by the Manager's Board. In these circumstances, the Manager has not considered it necessary to adopt a formal charter detailing the Board's functions and its relationship with management.

Performance of key executives

The Trust has no employees. As resources are provided by Macquarie, evaluation of the performance of key executives is not applicable to the Trust. Information regarding the assessment of the performance of Macquarie's key executives is set out on page 5 of Macquarie's 2012 Annual Financial Report.

Council Recommendation 1.2 encourages corresponding disclosures by listed trusts in their annual report. **The Board considers that Council Recommendation 1.2 is not relevant to the Trust as it has no employees, its resources are provided by Macquarie and the directors receive no remuneration specifically related to the Trust.**

Principle 2: Structure the board to add value

The Board considers that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively to:

- discharge their responsibilities and duties under the law effectively and efficiently;
- understand the business of the Trust and the environment in which it operates so as to be able to agree the objectives, goals and strategic direction which will maximise investor value; and
- assess the performance of management in meeting those objectives and goals.

Corporate Governance Statement
continued

The composition of the Board of the Manager reflects its limited role and duties and the responsibilities it discharges.

The Constitution of the Manager provides that unless otherwise determined by the Company in a general meeting the number of Directors shall not be less than two and not more than 12. The Manager currently has 3 Directors – Matthew Gummer (Chairman), David Dennis and Patrick Upfold (Mr Dennis and Mr Upfold were appointed on 21 December 2011).

The details of each of the director's skill, experience, expertise and period of office held are set out on page 5 in the Directors' Report.

There are no independent directors on the Board of the Manager and this represents a departure from Council Recommendation 2.1, which recommends that the majority of the Board consist of independent directors.

Given that the Trust is a special purpose funding vehicle and the role and decision-making of the Manager is therefore heavily circumscribed by the terms of the CPS and the Constitution, there are in practice a limited range of matters which are expected or likely to come before the Board of the Manager in its role as responsible entity of the Trust and those that do (for example, in relation to the payment of distributions as described above) involve very little exercise of discretion. For this reason, the Board does not consider that a majority of independent directors is necessary to facilitate the effective discharge of its duties in a way that is appropriate to the particular circumstances of the Trust.

Chairman

For the reasons described above, there are no independent directors on the Board of the Manager. **Accordingly, the Chairman is an executive director who does not satisfy the independence criteria under Council Recommendation 2.2.**

Appointment of directors

From time to time and when circumstances require, the Board will consider its composition to ensure that it continues to serve the best interests of the Trust. **As the Board has only three members and there are no independent directors, the Board does not consider it necessary to establish a nominating committee, which is a departure from Recommendation 2.4.**

Principle 3: Promote ethical and responsible decision-making

Given the nature and operations of the Trust as a funding vehicle for Macquarie, the Manager operates the Trust under relevant Macquarie policies. As described below, Macquarie has a robust framework of policies, underpinned by its Goals and Values and *Code of Conduct*.

Code of Conduct

Macquarie's Code of Conduct (*Code of Conduct*), which incorporates Macquarie's Goals and Values (*What We Stand For*), applies to directors and all staff of Macquarie. The *Code of Conduct* is also reflected in and supported by a broad range of Macquarie's internal policies and practices.

The *Code of Conduct* is endorsed by the Macquarie Board, and is intended to help staff understand their responsibility to uphold the following goals and values to which Macquarie aspires: Integrity, Client commitment, Strive for profitability, Fulfilment of our people, Teamwork and Highest standards. It also details standards and expectations around conflicts of interest, disclosure and corruption, to ensure that the highest standards are maintained and Macquarie's reputation is protected and enhanced.

A copy of the *Code of Conduct* is available on Macquarie's website.

Macquarie's Integrity Office

Macquarie established the position of Integrity Officer in 1988. The Integrity Officer acts as an independent point of contact for staff on integrity issues and works to ensure, through training and awareness, that all Macquarie business is conducted in accordance with sound ethical practices and the Goals and Values of the organisation. Supporting the Group-wide Integrity Officer are regional Integrity Officers located in key areas around the globe.

Further information about the role of the Integrity Officer and the activities of the Integrity Office is provided in the Sustainability section of Macquarie's 2012 Annual Financial Report.

Staff and Director Trading

The Trust has lodged its *Trading Policy*, which sets out the restrictions that apply to dealing in CPS by Key Management Personnel, with ASX.

More generally, Macquarie's *Trading Policy* identifies the principles by which Macquarie balances the personal investment interests of staff against Macquarie's responsibility to ensure that the personal dealing and investment activities of its staff in any financial product are conducted appropriately. Macquarie's Trading Policy applies to all Macquarie staff. A summary of Macquarie's Trading Policy is available on Macquarie's website. Its requirements also apply to the trading of CPS.

Key aspects of Macquarie's Trading Policy include:

- pre-clear securities trading: Directors and staff must pre-clear their securities trading with Macquarie
- trading windows: Generally, directors and staff may only trade in Macquarie securities and related derivatives during designated trading windows. These are typically of three to five weeks duration and follow Macquarie's announcement of its interim and full year profits and after the Macquarie Annual General Meeting
- excluded dealings: Certain types of transactions such as an acquisition of securities under an employee share plan or participation in the dividend reinvestment plan may be affected outside a trading window without pre-clearance
- trading prohibition while in possession of material non-public price-sensitive information: In all cases Macquarie prohibits Directors and staff from dealing in any security, including a Macquarie security or related derivative, if they possess non-public price-sensitive information about or affecting the relevant security
- unvested options, retained shares and minimum shareholding requirements cannot be hedged: Staff are not permitted to undertake any action that is designed to limit their exposure to Macquarie shares which are subject to retention arrangements, or their unvested Macquarie options. Non-Executive Directors may also not enter into a transaction that operates to limit the economic risk of their Macquarie shareholding below their minimum shareholding requirement
- net short positions not permitted: Employees are not permitted to take net short positions in Macquarie shares or any Macquarie-managed funds.

Diversity

The diversity of its people remains fundamental to Macquarie's success. Macquarie's *Workforce Diversity Policy* defines Macquarie's diversity commitment and the structures in place to facilitate its realisation. This policy applies to the operation of the Trust. Macquarie's approach to diversity is detailed in the Diversity Report in Macquarie's 2012 Annual Financial Report and in *Our Commitment to Workforce Diversity Statement* which is available on Macquarie's website.

Council Recommendations 3.3 and 3.4 encourage listed trusts to provide certain disclosures in their annual report regarding their diversity objectives and their progress in meeting such objectives. **The Board considers that Council Recommendations 3.3 and 3.4 are not relevant to the Trust as it has no employees and its resources are provided by Macquarie.**

Principle 4: Safeguard integrity in financial reporting

Financial Reporting

The Board has responsibility for the integrity of financial reporting. To assist the Board in fulfilling their responsibility, the processes outlined below apply. These processes are aimed at providing assurance that the financial statements and related notes are complete, are in accordance with applicable accounting standards and provide a true and fair view.

Given its limited operations, no CFO or CEO has been appointed for the Trust. The Legal Entity Controller of the Trust provides the Board with written confirmation that the financial reports present a true and fair view, in all material respects, of the Trust's financial condition and operational results, and are in accordance with relevant accounting standards.

An external auditor has been appointed to audit the accounts. Macquarie's *Auditor Independence Policy* applies to services supplied by the external auditor and their related firms to Macquarie, its related entities and the trusts and entities managed by Macquarie, including the Macquarie CPS Trust. A copy of Macquarie's *Auditor Independence Policy* is available on Macquarie's website. Under this policy:

- the auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for the Group, or audits its own professional expertise
- the external audit engagement partner and review partner must be rotated every five years. Macquarie's lead audit engagement partner rotated at the conclusion of the 2008 financial reporting period.

The Board has not established a Board audit committee. This is a departure from Council Recommendation 4.1. **The Board does not consider that a separate committee is necessary, taking into account the limited nature of the Trust's activities and the limited powers of the Manager under the constitution.**

Principle 5: Make timely and balanced disclosure

The Trust is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require that ASX be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the market operated by ASX. In particular, the Manager has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning the Trust of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of CPS.

The Manager is also required to lodge with ASIC both yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit or review report.

It is the Manager's policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and the wider investment community.

Macquarie's *External Communications Policy* applies to the Trust. The policy includes procedures for compliance with the continuous disclosure requirements in the ASX Listing Rules and policies on making other external communications. A summary of the *External Communications Policy* is available on Macquarie's website.

Principle 6: Respect the rights of shareholders

Communications

As set out in the *External Communications Policy* referred to in Principle 5, all external communications by the Trust will:

- be factual and subject to internal vetting and authorisation before issue
- not omit material information, and
- be timely and expressed in a clear and objective manner.

Macquarie's website (macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/shares-securities/macquarie_cps) contains announcements made about the CPS including ASX announcements, CPS documentation and contact details.

General meetings

The Trust is not required by law to hold an Annual General Meeting (AGM). Where unit holder approval is required for any matter a unit holder meeting would be convened in accordance with the Corporations Act. An explanatory memorandum on the resolutions would be included with the notice of meeting. Unless explicitly stated in the notice of meeting, all Holders would be eligible to vote on all resolutions. If Holders cannot attend formal meetings, they can lodge a proxy form in accordance with the Corporations Act. Proxy forms can be mailed, faxed or lodged through the internet.

The auditor of the Trust will be invited to attend security holder meetings, if they are held, to answer any questions that Holders direct to the auditor.

Complaints

If a Holder has a complaint about the Manager in connection with the Trust they can refer the matter in writing to:

The Complaints Handling Officer
Macquarie Capital Loans Management Limited
Level 7
1 Martin Place
Sydney NSW 2000

A Holder may lodge any complaints in writing to the Manager at the address above. The Manager will always acknowledge any complaint in writing and respond within 45 days.

Corporate Governance Statement continued

The Manager is a member of the Financial Ombudsman Service (FOS) scheme. If a Holder is dissatisfied with the response from the Manager, the Holder can lodge a complaint with the FOS:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Phone: 1300 78 08 08

Principle 7: Recognise and manage risk

There are various risks that may impact the operation of the Trust. A range of factors, some of which are beyond the control of Macquarie and the Manager, may influence the operation of the Trust and the payment of distributions. The management of these risks is reviewed periodically by the Board. Given the nature and operations of the Trust as a funding vehicle for Macquarie, the Manager operates the Trust under Macquarie's risk management framework.

At Macquarie, each business is subject to oversight by the Risk Management Group (RMG). RMG exercises centralised prudential management and ensures risks are assessed consistently from a Macquarie-wide perspective. RMG is mandated with identifying, quantifying and assessing all risks and setting appropriate prudential limits.

More information about Macquarie's risk management framework is included in the Risk Management Report in Macquarie's 2012 Annual Financial report. The Risk Management report is also available on Macquarie's website (macquarie.com.au/mgl/au/about-macquarie-group/profile/corporate-governance).

Declaration by persons performing CFO function

As the Trust has no CEO or CFO, the Legal Entity Controller of the Trust provides the Board with written confirmation that their statement given to the Board on the integrity of the financial statements (as mentioned in Principle 4) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received the declaration described above for this financial year.

Compliance Plan

As required under the Corporations Act, the Manager has adopted a Compliance Plan for the Trust. The Compliance Plan sets out the processes by which the Manager, as responsible entity of the Trust, will ensure compliance with the Constitution and the Corporations Act, including in relation to procedures for applications, distributions, audit, related party transactions, and disclosure and reporting requirements.

The Manager's Board of Directors has appointed a Compliance Committee for the Trust that consists of a majority of members who are external to the Manager. The Compliance Committee's role includes monitoring the Manager's compliance with the Compliance Plan and to report to the Manager accordingly.

The current members of the Compliance Committee are:

- Brad Milson – Division Director of Macquarie
- Brendan Howell – External Appointee
- James McNally – External Appointee

A copy of the Compliance Plan is available on Macquarie's website (macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/shares-securities/macquarie_cps).

Principle 8: Remunerate fairly and responsibly

Management fees

Under the Constitution, the Manager is entitled to receive out of the Trust a fee in respect of each three month period ending on 31 March, 30 June, 30 September and 31 December in each year. However, Macquarie has agreed to:

- pay the costs incurred in establishing the Trust; and
- reimburse the Manager for ongoing costs and expenses of operating the Trust.

On this basis, the Manager has waived its rights to a management fee under the Constitution.

Staff remuneration

As outlined above under Principle 1, the Trust has no employees. Details regarding Macquarie's remuneration arrangements are set out on pages 40 to 86 of Macquarie's 2012 Annual Report.

Director remuneration

The Directors do not receive any remuneration from the Trust.

Remuneration Committee

Council Recommendation 8.1 encourages listed trusts to establish a remuneration committee. **The Trust has no employees and the directors of the Manager do not receive any remuneration from the Trust. Therefore, the Manager does not consider it necessary or appropriate to establish a remuneration committee.**

Directors' Report
for the financial year ended 30 June 2012

In respect of the financial year ended 30 June 2012, Macquarie Capital Loans Management Limited (the Responsible Entity), in its capacity as Responsible Entity of the Macquarie CPS Trust (the Trust), submits herewith the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended 30 June 2012 and the statement of financial position as at 30 June 2012 (the Financial Report), made in accordance with a resolution of the Directors.

Directors

The following persons have held office as Directors of the Responsible Entity during the year, until the date of the report, unless otherwise stated:

- Matthew Gummer
- David Dennis
(appointed 21 December 2011)
- Patrick Upfold
(appointed 21 December 2011)
- David Luboff
(resigned 21 December 2011)
- John Roberts
(resigned 21 December 2011)
- Daniel Walmsley
(resigned 21 December 2011)

Directors' experience

Matthew Gummer (Chairman)

Matthew Gummer joined the Macquarie Group in 2001 and is an Executive Director within Group Treasury. Matthew is a member of the Institute of Chartered Accountants and has economics and law degrees from the University of Sydney. As at the date of this report, Matthew has been a director on the Board of the Responsible Entity since 6th July 2009.

David Dennis

David Dennis joined the Macquarie Group in 1991 and is an Executive Director and Head of the Prudential, Capital and Markets Division of the Risk Management Group (RMG). David has over 20 years experience in the financial services industry. David holds a Bachelor of Economics (Honours) from the Australian National University. As at the date of this report, David has been a director on the Board of the Responsible Entity since 21st December 2011.

Patrick Upfold

Patrick Upfold joined the Macquarie Group in 1997 and is an Executive Director and the Chief Financial Officer, Group Treasurer and Head of the Financial Management Group. Prior to his current roles, Patrick headed Group Financial Management (now a part of the Treasury division) which had primary responsibility for managing Macquarie's capital position. Patrick holds a Bachelor of Economics and is a Fellow of the Institute of Chartered Accountants. As at the date of this report, Patrick has been a director on the Board of the Responsible Entity since 21st December 2011.

Principal activities

The principal activity of the Trust during the financial year ended 30 June 2012 was as the issuer of convertible preference securities.

The Trust has issued $600 million non-cumulative, unsecured, mandatorily convertible preference securities. The proceeds of the issue have been used by the Trust to purchase preference shares in Macquarie CPS LLC. Macquarie CPS LLC has, in turn, invested the proceeds of subscription in subordinated notes issued by Macquarie (UK) Group Services Limited, which are guaranteed by Macquarie Group Limited on a subordinated basis.

Result

The profit attributable to unit holders, under Australian Accounting Standards, for the financial year ended 30 June 2012 was $nil (2011: $nil).

Distributions

	Amount per security $	Amount $
Amounts paid (3 January 2012)	5.5931	33,558,000
Amounts provided for *	5.5323	33,194,000

* The accrued interest provided for at 30 June 2012 of $33,194,000 (2011:$nil) was paid on 2 July 2012.

Distributions paid or provided on Macquarie Convertible Preference Securities (CPS) during the year were $66,752,000 (2011: $66,570,000). The CPS are treated as a financial liability of the Trust and distributions to the CPS holders are recognised as interest expense upon the Trust determining that distributions are payable.

State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial year under review not otherwise disclosed in this report.

Review of operations

The profit attributable to unit holders of the Trust for the year ended 30 June 2012 was $nil (2011: $nil).

Net operating income for the year ended 30 June 2012 was $nil (2011: $nil).

Total operating expenses for the year ended 30 June 2012 were $nil (2011: $nil).

Directors' report
continued

Events after the Reporting Period

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 Trust, the results of those operations or the state of affairs of the Trust in the financial years subsequent to 30 June 2012 not otherwise disclosed in this report.

Likely developments in operations and expected outcomes

It is noted that as at 30 June 2012 the Macquarie Group Limited (MGL) share price is below $27.10. The mandatory conversion of CPS can only take place on 30 June 2013 if the MGL share price is greater than $27.10 at 24 May 2013. If this first test is satisfied, then the average share price (on a volume weighted basis) in the 20 business days up to 30 June 2013 must also be greater than $24.64 and no delisting event can have occurred. If these second and third tests are also satisfied, then the mandatory conversion will occur. These tests are referred to as the conversion conditions.

The Responsible Entity may issue a resale notice within 21 business days of 30 June 2013, whereby it will nominate a purchaser to acquire all of the CPS for $100 each.

If the resale does not take place and the conversion conditions are not met, the Responsible Entity in conjunction with MGL may (with prior written approval from APRA) redeem all CPS for $100 each.

If there has been no resale, redemption or mandatory conversion, CPS will continue and the conversion conditions will be retested at each 31 March, 30 June, 30 September and 31 December commencing on 30 September 2013. CPS will be mandatorily convertible only when all the conversion conditions are met. After 30 June 2013, distributions will be payable quarterly on a floating rate basis (subject to the payment tests) if the CPS remain outstanding.

Neither the Responsible Entity nor MGL have indicated any intention with regard to these events. They are unlikely to give any indication until closer to the conversion date.

Directors' indemnification

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of the Responsible Entity or the auditor of the Trust. So long as the officers of the Responsible Entity act in accordance with the Trust Constitution and the *Corporations Act 2001*(Cth) (the Act), the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

Environmental regulations

The Trust has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified and appropriately addressed.

The Directors have determined that there has not been any material breach of those obligations during the financial year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the Act, is set out on page 7 following this report.

Rounding of amounts

In accordance with Australian Securities and Investments Commission Class Order 98/0100 (as amended), amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Directors.

Matthew Gummer

Matthew Gummer
Director

Sydney
23 August 2012

The Financial Report was authorised for issue by the Directors on 23 August 2012.
The Trust has the power to amend and reissue the Financial Report.

Auditor's Independence Declaration

As lead auditor for the audit of Macquarie CPS Trust for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001 (Cth)* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Macquarie CPS Trust during the period.

CJ Heath
Partner
PricewaterhouseCoopers

Sydney
23 August 2012

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Income statement
for the financial year ended 30 June 2012

	Notes	2012 $'000	2011 $'000
Interest and similar income	3	**66,752**	66,570
Interest expense and similar charges	3	**(66,752)**	(66,570)
Net interest income		**-**	-
Operating profit before income tax		**-**	-
Income tax expense		**-**	-
Profit after income tax		**-**	-
Profit attributable to unit holders of Macquarie CPS Trust		**-**	-

The above income statement should be read in conjunction with the accompanying notes.

Statement of comprehensive income
for the financial year ended 30 June 2012

	2012 $'000	2011 $'000
Profit after income tax for the financial year	**-**	-
Total other comprehensive income for the financial year	**-**	-
Total comprehensive income for the financial year	**-**	-
Total comprehensive income for the financial year is attributable to:		
Unit holders of Macquarie CPS Trust	**-**	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
as at 30 June 2012

	Notes	2012 $'000	2011 $'000
Assets			
Investment securities available for sale	4	**633,194**	600,000
Total assets		**633,194**	600,000
Liabilities			
Loan capital	5	**633,194**	600,000
Total liabilities excluding net assets attributable to unit holders		**633,194**	600,000
Net assets attributable to unit holders	**6**	**0**	0

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity
for the financial year ended 30 June 2012

	Total equity $'000
Balance at 1 July 2010	0
Total comprehensive income for the financial year	-
Balance at 30 June 2011	0
Total comprehensive income for the financial year	**-**
Balance at 30 June 2012	**0**

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of cash flows
for the financial year ended 30 June 2012

	2012 $'000	2011 $'000
Cash flows from operating activities	**-**	-
Net cash flows from operating activities	**-**	-
Cash flows from investing activities	**-**	-
Net cash flows from investing activities	**-**	-
Cash flows from financing activities	**-**	-
Net cash flows from financing activities	**-**	-
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at the beginning of the financial year	**-**	-
Cash and cash equivalents at the end of the financial year	**-**	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
for the financial year ended 30 June 2012

Note 1.
Trust information

The Trust is established and domiciled in Australia. The address of the Trust's registered office is C/- Company Secretarial, Mezzanine Level, No. 1 Martin Place, Sydney NSW 2000.

Note 2.
Summary of significant accounting policies

(i) Basis of preparation

The Trust was established on 13 March 2008 to facilitate the issuance of convertible preference shares. The Trust has issued $600 million non-cumulative, unsecured, mandatorily convertible preference securities. The proceeds of the issue have been used by the Trust to purchase preference shares in Macquarie CPS LLC. Macquarie CPS LLC has, in turn, invested the proceeds of subscription in subordinated notes issued by Macquarie (UK) Group Services Limited, which are guaranteed by Macquarie Group Limited on a subordinated basis.

The principal accounting policies adopted in the preparation of this financial report and that of the previous financial year are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. This Financial Report is a general purpose Financial Report which has been prepared in accordance with Australian Accounting Standards (which includes Australian Interpretations by virtue of AASB *1048 Interpretation and Application of Standards)* and the *Corporations Act 2001 (Cth)* (the Act).

Compliance with IFRS as issued by the IASB

Compliance with Australian Accounting Standards ensures that the financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has also been prepared in accordance with and complies with IFRS as issued by the IASB.

Historical cost convention

This Financial Report has been prepared under the historical cost convention, as modified by the revaluation of investment securities available for sale.

Critical accounting estimates and significant judgements

The preparation of the Financial Report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Trust and the financial report such as:

- impairment of investment securities available for sale (Note 2 (vi) and 4);
- fair value of assets and liabilities (Note 11).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

New Accounting Standards and amendments to Accounting Standards and Interpretations that are effective in the current year

AASB 2010-3 and AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project were issued in June 2010 and became applicable in the current period.

AASB 2010-4 makes amendments to various disclosure requirements relating to AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements* and AASB 134 *Interim Financial Reporting*.

The application of these amendments in the current year has had an immaterial impact.

When a new Accounting Standard is first adopted, any change in accounting policy is accounted for in accordance with the specific transitional provisions (if any), otherwise retrospectively.

The Trust's assessment of the impact of the key new Accounting Standards, amendments to Accounting Standards and Interpretations is set out below:

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*

In December 2010, the AASB re-issued AASB 9 *Financial Instruments*, which is effective for annual reporting periods beginning on or after 1 January 2015. Early adoption is permitted if all the requirements are applied at the same time. The revised AASB 9 includes the classification and measurement requirements for financial liabilities, and the recognition and derecognition requirements for financial instruments, in addition to the classification and measurement requirements for financial assets that appeared in the December 2009 version of the Standard.

Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value.

Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in other comprehensive income (OCI), but upon realisation those accumulated changes in value are not recycled to the income statement. Dividends on such investments are recognised in profit or loss, rather than OCI, unless they clearly represent a recovery of the cost of the investment. Changes in the fair value of all other financial assets carried at fair value are reported in the income statement. The Trust is currently assessing the impact of the new Standard, and it is likely that some financial assets carried at fair value through profit or loss (e.g. quoted bonds outside of trading book) will change to be carried at amortised cost.

Notes to the financial statements
for the financial year ended 30 June 2012 continued

In respect of financial liabilities, the change in fair value (for financial liabilities designated at fair value through profit or loss) due to changes in an entity's own credit risk is to be presented in other comprehensive income, unless such presentation would create an accounting mismatch. If a mismatch is created or enlarged, all changes in fair value (including the effects of changes in the credit risk of the liability) are presented in profit or loss. All other key requirements for classification and measurement of financial liabilities have been carried forward unamended from AASB 139 *Financial Instruments: Recognition and Measurement*. The recognition and derecognition requirements in AASB 139 have also been retained and relocated to the revised AASB 9 unamended. The Trust will first apply AASB 9 in the financial year beginning 1 July 2015. The impact of AASB 9 on the Trust's financial statements on initial application has not yet been assessed.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

The AASB has decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments are effective for annual reporting periods on or after 1 July 2013 and cannot be adopted early.

AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income.*

The amendment requires items in other comprehensive income to be segregated into two categories, based on whether they may be recycled to profit or loss in the future. Items that will never recycle – such as revaluation reserve – will be presented separately from items that may recycle in the future – such as cash flow hedge reserves and the foreign currency translation reserve. The amendments are effective for annual periods beginning on or after 1 July 2012.

AASB 13 Fair Value Measurement

AASB 13 has been issued by the AASB and is effective for annual reporting periods beginning on or after 1 January 2013.

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The impact of AASB 13 on the Trust's financial statements on initial application has not yet been assessed.

The Trust intends to first apply the Standard prospectively from 1 July 2013.

(ii) Foreign currency translations

Functional and presentation currency

The Trust's financial statements are presented in Australian dollars (the presentation currency), which is the Trust's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items (such as equities) held at fair value through profit or loss, are reported as part of the fair value gain or loss in the income statement. Translation differences on non-monetary items (such as equities) classified as available for sale financial assets are included in the available-for-sale reserve in equity, unless they form part of fair value hedge relationships in which case the translation differences are recognised in the income statement.

(iii) Revenue recognition

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

Interest income

Interest income arising from loans and deposits is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is that rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

The redeemable preference shares in Macquarie CPS LLC are treated as investment securities available for sale and distributions to the Trust are recognised as interest income upon declaration.

Interest expense

The convertible preference securities (CPS) are treated as a financial liability of the Trust and distributions to the CPS holders are recognised as interest expense upon the Trust determining that the distributions are payable.

(iv) Income tax

The Trust is not liable to pay income tax, since, under the terms of the Trust's constitution, the unit holders are presently entitled to the income of the Trust.

(v) Investments and other financial assets

The investments in financial assets are classified as investment securities available for sale. The classification depends on the purpose for which the investment was acquired, which is determined at initial recognition and is re-evaluated at each reporting date.

Investment securities available for sale

Investment securities available for sale comprise securities that are not actively traded and are intended to be held for an indefinite period of time. Such securities are available for sale and may be sold should the need arise, including purposes of liquidity, or due to the impacts of changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are initially carried at fair value plus transaction costs. Gains and losses arising from subsequent changes in fair value are recognised directly in the available for sale reserve in equity, until the asset is derecognised or impaired, at which time the cumulative gain or loss will be recognised in the income statement. Fair values of quoted investments in active markets are based on current bid prices.

If the relevant market is not considered active (or the securities are unlisted), fair value is established by using valuation techniques, including recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Interest income on debt securities available for sale is recognised in the income statement in interest income using the effective interest method as disclosed in Note 2 (iii).

(vi) Impairment

Investment securities available for sale

The Trust performs an assessment at each reporting date to determine whether there is any objective evidence that available for sale financial assets have been impaired. Impairment exists if there is objective evidence of impairment as a result of one or more events (loss event) which have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

In the case of debt securities classified as available for sale, observable data that relates to loss events are considered, including adverse changes in the payment status of the issuer and national or local economic conditions that correlate with defaults on those assets.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance, operational and financing cash flows or changes in technology.

When the fair value of an available for sale financial asset is less than its initial carrying amount and there is objective evidence that the asset is impaired, the cumulative loss recognised directly in equity is removed from equity and recognised in the income statement.

Impairment losses recognised for debt securities classified as available for sale are subsequently reversed through the income statement if the fair value increases and the increase can be objectively related to an event after the impairment loss was recognised in the income statement.

(vii) Loan capital

The Trust has debt securities and instruments on issue which are initially recognised at fair value net of transaction costs incurred, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the financial year of the borrowings using the effective interest method.

(viii) Cash and cash equivalents

The statement of cash flows does not present any cash receipts or payments as the Trust does not maintain any cash balances. The Trust's payments and receipts are processed through bank accounts controlled by a related entity, with transactions recorded in inter-entity receivable/payable accounts.

(ix) Contributed equity

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

(x) Comparatives

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

(xi) Rounding of amounts

The Trust is of a kind referred to in Australian Securities and Investments Commission Class Order 98/0100 (as amended), relating to the "rounding off" of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars unless otherwise indicated.

Note 3.

Profit for the financial year

	2012 $'000	2011 $'000
Net interest income		
Interest and similar income received/receivable	**66,752**	66,570
Interest expense and similar charges paid/payable	**(66,752)**	(66,570)
Net interest income	**-**	-

The Trust has no employees.

Notes to the financial statements
for the financial year ended 30 June 2012 continued

Note 4.
Investment securities available for sale

Debt securities	**600,000**	600,000
Accrued interest	**33,194**	-
Total investment securities available for sale	**633,194**	600,000

On 8 July 2008, the Trust acquired $600 million of preferred limited liability company interests (LPS) from a related entity, Macquarie CPS LLC. These preference shares are redeemable by their issuer, subject to written approval from the Australian Prudential Regulation Authority (APRA). Distributions on LPS are preferred, noncumulative and based on a fixed rate until 30 June 2013 and on a floating rate thereafter. The fixed rate has been determined at 11.095 per cent per annum. Distributions are scheduled to be paid semi-annually until 30 June 2013 and quarterly thereafter, and are at the issuer's discretion. There was no change in the value of the investment securities during the year.

Note 5.
Loan capital

	2012 $'000	2011 $'000
Convertible Preference Securities (6 million securities at issue price of $100 each)	**600,000**	600,000
Accrued interest	**33,194**	-
Total loan capital	**633,194**	600,000

The CPS were listed on the Australian Stock Exchange (ASX) on 8 July 2008. The CPS are non-cumulative, unsecured, mandatorily convertible, preference units in the Trust. The CPS are mandatorily convertible into a variable number of Macquarie Group Limited (MGL) shares. Distributions on CPS are preferred, non-cumulative and based on a fixed rate until 30 June 2013 (the initial mandatory conversion date) and on a floating rate thereafter. The fixed rate has been determined at 11.095 per cent per annum. Distributions are scheduled to be paid semi-annually until, and including, the initial mandatory conversion date, and quarterly thereafter, in arrears, and are at the Trust's discretion. Costs related to the issuance of the CPS have been borne by the ultimate chief entity, Macquarie Group Limited under the terms of the Implementation Deed. Funds from the issuance were applied on behalf of the Trust to Macquarie (UK) Group Services Limited, resulting in nil cash movement to the Trust.

In order for the mandatory conversion to occur on 30 June 2013, the following three conditions must all be met:

a) The volume weighted average price (VWAP) of MGL shares is greater than $27.10 on the 25th business day preceding the conversion date (i.e. 24 May 2013);

b) The VWAP of MGL shares for the 20 business day period preceding (but not including) the possible mandatory conversion date (i.e. 31 May to 28 June 2013) is greater than $24.64; and

c) No delisting event applies in respect of the relevant date.

These tests are the conversion conditions.

The Responsible Entity may issue a resale notice within 21 business days of 30 June 2013, whereby it will nominate a purchaser to acquire all CPS for $100 each. If the resale notice is not issued and the conversion conditions are not met, the Responsible Entity in conjunction with MGL may (with prior written approval from APRA) redeem all CPS for $100 each.

Note 6.
Net assets attributable to unit holders

	2012 Number of units	2011 Number of units	**2012 $**	2011 $
Net assets attributable to ordinary unit holders are represented by:				
Opening balance of units on issue (2 ordinary units at $100 each)	**2**	2	**200**	200
Closing balance	**2**	2	**200**	200

Note 7.
Related party information

The unit holder of the Trust is Macquarie Financial Holdings Limited. The ultimate chief entity is MGL. The responsible entity is Macquarie Capital Loans Management Limited.

Transactions with related parties

During the financial year, the following transactions were made with Macquarie CPS LLC:

	2012 $	2011 $
Interest income received/receivable (note 3)	**66,752,383**	66,570,000
Total	**66,752,383**	66,570,000

Amounts receivable from related entities are disclosed in Note 4 to the financial statements.

All other transactions with related entities were made on normal commercial terms and conditions and at market rates except where indicated.

Note 8.
Key Management Personnel disclosure

Key Management Personnel

The following persons were those having authority and responsibility for planning, directing and controlling the activities of the Trust (Key Management Personnel – KMP) during the past two financial years ended 30 June 2012 and 30 June 2011, unless otherwise indicated:

- Matthew Gummer
- Patrick Upfold (appointed 21 December 2011)
- David Dennis (appointed 21 December 2011)
- David Luboff (resigned 21 December 2011)
- John Roberts (resigned 21 December 2011)
- Daniel Walmsley (appointed 1 December 2010 and resigned 21 December 2011)
- Francis Kwok (resigned 1 December 2010)

No Directors of the Responsible Entity are Directors of the ultimate chief entity.

	2012 $	2011 $
Amounts in relation to their role as KMP of the Trust	**37,213**	60,000

The compensation was not charged to the Trust.

The KMP did not receive any other benefits or consideration in connection with the management of the Trust. All other benefits that were received by KMP (principally performance related remuneration and options for MGL equity) were solely related to other services performed with respect to their employment within the Macquarie Group.

Note 9.
Contingent liabilities and assets

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

Notes to the financial statements
for the financial year ended 30 June 2012 continued

Note 10.
Financial risk management

Risk Management Group

Risk is an integral part of the Macquarie Group's businesses. The main risks faced by the Group are market risk, equity risk, credit risk, liquidity risk, operation risk, legal compliance risk 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.

RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director of the Macquarie Group and the Board of the Macquarie Group. The Head of RMG is a member of the Executive Committee of MGL. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board.

The risks which the Trust are 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 (i.e. not differentiating where the risk is taken within Macquarie).

Note 10.1 Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due.

Credit risk within the Trust is managed on a group basis by the Risk Management Group at MGL.

Maximum exposure to credit risk

The table below details the concentration of credit exposure of the Trust's assets to significant geographical locations and counterparty types. The amounts shown represent the maximum credit risk of the Trust's assets.

	2012		2011	
	Investment securities available for sale $'000	**Total $'000**	Investment securities available for sale $'000	Total $'000
Americas				
Other	**633,194**	**633,194**	600,000	600,000
Total	**633,194**	**633,194**	600,000	600,000
Total gross credit risk	**633,194**	**633,194**	600,000	600,000

Credit quality of financial assets

The credit quality of financial assets is managed by the Trust using internal credit ratings.

The table below shows the credit quality by class of financial asset for loan related balance sheet lines, based on the Trust's credit rating system.

Credit Quality	2012		2011	
	Neither past due nor impaired		Neither past due nor impaired	
	Unrated $'000	**Total $'000**	Unrated $'000	Total $'000
Investment securities available for sale				
Other	**633,194**	**633,194**	600,000	600,000
Total	**633,194**	**633,194**	600,000	600,000

Note 10.2 Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations from financial liabilities as they fall due.

Liquidity risk within the Trust is managed on a group basis by Macquarie Group Treasury under the oversight of the Risk Management Group and the MGL Asset and Liability Committee.

Contractual undiscounted cash flows

The table below summarises the maturity profile of the Trust's financial liabilities as at 30 June based on potential undiscounted payments for CPS. Distributions, while discretionary, are included in the table below at their stated rate. The principal of CPS is included in the table below as though the mandatory conversion conditions are met and the conversion takes place at 30 June 2013.

				2012
	Less than 3 months $'000	**3 to 12 months $'000**	**1 to 5 years $'000**	**Total $'000**
Loan capital	**33,194**	**666,570**	**-**	**699,764**
Total undiscounted cash flows	**33,194**	**666,570**	**-**	**699,764**

				2011
	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Loan capital	-	66,570	666,570	733,140
Total undiscounted cash flows	-	66,570	666,570	733,140

Note 10.3 Market risk

Market risk is the exposure to adverse changes in the value of Trust's trading portfolios as a result of changes in market prices or volatility.

The Trust is not exposed to any interest rate risk as the interest rate profile of the assets and liabilities are identical. The Trust is not exposed to any foreign currency or equity price risk.

Note 11.
Fair values of financial assets and liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

Notes to the financial statements
for the financial year ended 30 June 2012 continued

The following methods and significant assumptions have been applied in determining the fair values of financial instruments:

- Investment securities classified as available for sale are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unrealised gains and losses, excluding impairment write-downs, are recorded in the available for sale reserve in equity until the asset is sold, collected or otherwise disposed of.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are carried at amortised cost:

- The fair value of debt issues is based on market prices where available. Where market prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and issue.

The table below summarises the carrying value and fair value of all financial instruments of the Trust.

	2012 Carrying amount $'000	**2012 Fair value $'000**	2011 Carrying amount $'000	2011 Fair value $'000
Liabilities				
Loan capital	**633,194**	**649,024**	600,000	625,326
Total financial liabilities	**633,194**	**649,024**	600,000	625,326

The following tables summarise the levels of the fair value hierarchy for financial instruments measured at fair value of the Trust at:

30 June 2012	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Investment securities available for sale	**-**	**633,194**	**-**	**633,194**
Total assets	**-**	**633,194**	**-**	**633,194**

30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment securities available for sale	-	600,000	-	600,000
Total assets	-	600,000	-	600,000

During the financial year the Trust did not have any transfers between level 1 and level 2.

Note 12.
Audit and other services provided by PricewaterhouseCoopers

The cost of auditor's remuneration for auditing services of $12,809 (2011: $12,257) has been borne by Macquarie Group Services Australia Pty Limited, a wholly-owned subsidiary within the Macquarie Group. The auditors received no other benefits.

Note 13.
Events after the Reporting Period

There were no material events subsequent to 30 June 2012 that have not been reflected in the financial statements.

Macquarie CPS Trust
Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001 (Cth)*, including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001 (Cth)* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Macquarie CPS Trust's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Macquarie CPS Trust will be able to pay its debts as and when they become due and payable; and

(c) the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board.

This declaration has been made after receiving the declarations required in accordance with section 295A of the *Corporations Act 2001 (Cth)* for the year ended 30 June 2012.

This declaration is made in accordance with a resolution of the Directors.

Matthew Gummer
Director

Sydney
23 August 2012

Independent audit report to the members of Macquarie CPS Trust

pwc

Report on the Financial Report

We have audited the accompanying financial report of Macquarie CPS Trust (the Trust), which comprises the statement of financial position as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001 (Cth)* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion

(a) the financial report of Macquarie CPS Trust is in accordance with the *Corporations Act 2001 (Cth)*, including:
  (i) giving a true and fair view of the Trust's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the Trust's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

PricewaterhouseCoopers

CJ Heath
Partner
Sydney
23 August 2012

Liability limited by a scheme approved under Professional Standards Legislation.

Investor Information

Macquarie Convertible Preference Securities

Twenty largest Securityholders at 16 August 2012	Convertible Preference Securities	% of Convertible Preference Securities
Questor Financial Services Limited – TPS RF A/C	223,653	3.73
J P Morgan Nominees Australia Limited	196,148	3.27
Navigator Australia Ltd – MLC Investment Sett A/C	137,159	2.29
National Nominees Limited	107,794	1.80
Nulis Nominees (Australia) Limited – Navigator Mast Plan Sett A/C	91,637	1.53
Citicorp Nominees Pty Limited	62,570	1.04
JMB Pty Limited	50,000	0.83
HSBC Custody Nominees (Australia) Limited	47,644	0.79
BNP Paribas Noms Pty Ltd – Master Cust DRP	44,637	0.74
M F Custodians Ltd	41,015	0.68
RBC Investor Service Australia Nominees Pty Limited – GSENIP A/C	39,745	0.66
BT Portfolio Services Limited – Halcagni Pty Ltd A/C	35,263	0.59
Mr Kieran Alistair Moffat	35,000	0.58
RBC Investor Services Australia Nominees Pty Limited – NMSMT A/C	33,421	0.56
Mutual Trust Pty Ltd	33,069	0.55
ABN Amro Clearing Sydney Nominees Pty Ltd – Next Custodian A/C	32,629	0.54
Namrog Investments Pty Ltd	30,000	0.50
Questor Financial Services Limited – TPS PIP A/C	27,491	0.46
Mr Lesley Szekely + Mrs Suzaner Szekely + Ms Rachel Szekely + Mr Daniel Szekely – The Szekely Super Fund A/C	25,000	0.42
Art Gallery of NSW Foundation	24,885	0.41
Total	**1,318,760**	**21.98**

Spread of Macquarie Convertible Preference Securities

Details of the spread of Macquarie Convertible Preference Securities at 16 August 2012 were as follows:

Range	Holders	Securities
1 – 1,000	8,457	2,633,130
1,001 – 5,000	645	1,400,294
5,001 – 10,000	47	352,494
10,001 – 100,000	34	949,328
100,001 securities and over	4	664,754
Total	**9,187**	**6,000,000**

Two securityholders (representing six Convertible Preference Securities) held less than a marketable parcel.

Distribution details

Macquarie Capital Loans Management Limited makes distributions half-yearly in arrears in respect of the Macquarie CPS Trust (CPS) on or about 30 June and 31 December each year. Dates and payment rates are listed at:

http://www.macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/shares-securities/macquarie_cps

Stock Exchange Listing

Macquarie Convertible Preference Securities are quoted on the ASX and trade under the code MQCPA.

Website

To view the Annual Reports, presentations, distribution information and other investor information, visit: http://www.macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/shares-securities/macquarie_cps

Corporate directory

Responsible Entity for Macquarie CPS Trust ARSN 129 962 358

Macquarie Capital Loans Management Limited
ABN 18 077 595 012,
AFSL 241106

Registered Office
c/- Company Secretarial
Mezzanine Level
No.1 Martin Place
Sydney, New South Wales 2000

Enquiries

Investors who wish to enquire about any matter relating to their Macquarie Convertible Preference Securities holding are invited to contact the Share Registry office below.

Computershare Investor Services Pty Limited

GPO Box 2975
Melbourne Victoria 8060 Australia

Telephone: +61 3 9415 4137
Freecall: +1300 554 096
Facsimile: +61 3 9473 2500

Email: web.queries@computershare.com.au

Website: computershare.com.au

All other enquiries relating to a Macquarie Convertible Preference Securities investment can be directed to:

Investor Relations

Macquarie Group
Level 7, No.1 Martin Place
Sydney, New South Wales 2000

Telephone: +61 2 8232 5006
Facsimile: +61 2 8232 4330

Email: cps@macquarie.com
Website: macquarie.com.au/shareholdercentre

Disclaimer and General Advice Warning

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way including by reason of negligence for errors or omission herein is accepted by Macquarie Capital Loans Management Limited (MCLML) ABN 18 077 595 012 or its officers or any part of the Macquarie Group.

Information in this Annual Report, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities in the Macquarie CPS Trust and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice.

All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

The information in this Annual Report contains forward looking statements including statements regarding our intent, belief or current expectations with respect to Macquarie CPS Trust's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Macquarie does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Macquarie's control. Past performance is not a reliable indication of future performance.

Complaints Handling

A formal complaints handling procedure is in place for the CPS Trust. If you have any enquires or complaints, please contact the CPS Trust's investor relations team. MCLML is a member of the Financial Ombudsman Service scheme.

Personal Information

The privacy of your personal information is important to us. Any personal information collected will be handled in accordance with the Macquarie Group privacy policy. A copy of that policy can be obtained by visiting our website at macquarie.com.au. Alternatively, you can contact us and we will send you a copy.

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