

**MACQUARIE CPS TRUST**  
2011 ANNUAL REPORT



MACQUARIE



# Directors' Report

## for the financial year ended 30 June 2011

In respect of the financial year ended 30 June 2011, 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 2011 and the statement of financial position as at 30 June 2011 (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
- Francis Kwok (resigned 1 December 2010)
- David Luboff
- John Roberts
- Daniel Walmsley  
(appointed 1 December 2010)

### Directors' experience

#### Matthew Gummer

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 for two years and two months.

#### David Luboff

David Luboff joined the Macquarie Group in 2000 and is the Chief Executive Officer of Macquarie Specialised Asset Management Limited (MSAM). Prior to his current role, David was the Chief Investment Officer of MSAM and also worked in the corporate advisory division in both Sydney and New York. David has degrees in Commerce and Applied Finance from Macquarie University.

As at the date of this report, David has been a director on the Board of the Responsible Entity for one year and three months.

#### John Roberts (Chairman)

John Roberts joined the Macquarie Group in 1991 and is Executive Chairman of the Macquarie Funds Group. Previously, John was Global Head of the Macquarie Capital Funds business (prior to it being renamed Macquarie Infrastructure and Real Assets). John has a Bachelor of Laws degree from the University of Canterbury, New Zealand.

As at the date of this report, John has been a director on the Board of the Responsible Entity for three years and six months.

#### Daniel Walmsley

Daniel Walmsley joined the Macquarie Group in Sydney in 1997 and is an Associate Director in the Macquarie Infrastructure and Real Assets (MIRA) Division of the Macquarie Funds Group. Daniel has over 16 years of experience in finance and investment banking in London and Sydney, with more than half of this period focused on real estate and infrastructure sectors. Daniel is a member of the Institute of Chartered Accountants and is Chief Operating Officer for MIRA's Asia/Pacific Region.

As at the date of this report, Daniel has been a director on the Board of the Responsible Entity for nine months.

### Principal activities

The principal activity of the Trust during the financial year ended 30 June 2011 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 2011 was \$nil (2010: \$nil).

# Directors' Report

## for the financial year ended 30 June 2011

continued

### Distributions

Date paid	Amount per security \$	Amount paid \$
31 December 2010	5.5931	33,559,000
30 June 2011	5.5019	33,011,000

Distributions paid on Macquarie Convertible Preference Securities (CPS) during the year were \$66,570,000 (2010: \$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 2011 was \$nil (2010: \$nil).

Net operating income for the year ended 30 June 2011 was \$nil (2010: \$nil).

Total operating expenses for the year ended 30 June 2011 were \$nil (2010: \$nil).

### Events after the Reporting Period

It is noted that subsequent to 30 June 2011 the Macquarie Group Limited share price has fallen below \$27.10. If this share price is below \$27.10 at 30 June 2013, the Mandatory Conversion Conditions would not be satisfied and conversion of the CPS will not occur on that date.<sup>1</sup> At the date of this report, the Directors are not aware of any other 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 2011 not otherwise disclosed in this report.

1. Details of the Mandatory Conversion Conditions and other CPS terms can be found in the Macquarie Convertible Preference Securities Product Disclosure Statement.

### Likely developments in operations and expected outcomes

Disclosure of information relating to likely developments in operations and expected outcomes for future financial years of the Trust have not been included in the report because the Directors believe it may result in unreasonable prejudice to the Trust.

### 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 9 following this report.

### Rounding of amounts

In accordance with Australian Securities & 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**  
Director

Sydney  
26 August 2011

---

# 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).

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. Therefore the main decision to be made by the Manager as responsible entity of the Trust is the decision to authorise the payment distributions. The terms of the CPS are very prescriptive as to how distributions are calculated and when they are to be paid and therefore this is an area in which Directors have little discretion.

Macquarie Capital Loans Management Limited (the Manager) has been appointed as the responsible entity of the Trust and is a member of the Macquarie Group of entities.

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, act 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 [asx.com.au](http://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 Principles, and to explain why they have not adopted a Principle if they consider it inappropriate in their particular circumstances.

Given the special purpose nature of the Trust and the very 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 2011 corporate governance statement is in the form of a report against the Principles. The Trust's corporate governance policies diverge from the Principles in a number of respects, as highlighted below.

# Corporate Governance Statement

## continued

### 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 40 of Macquarie's 2011 Annual Report.

**The Board considers that ASX Recommendation 1.2 is not relevant as the Trust has no employees 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.

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 4 Directors – John Roberts (Chairman), Matthew Gummer, David Luboff and Daniel Walmsley (appointed on 1 December 2010).

The details of each of the director's skill, experience, expertise and period of office held are set out on page 1 of the Directors' Report.

**There are no independent directors on the Board of the Manager and this represents a departure from ASX 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.

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.

#### 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 recommendation of the Principles.**

---

### **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**

The Macquarie Code of Conduct (Code of Conduct), which incorporates Macquarie Group's Code of Ethics (What We Stand For), applies to directors of Macquarie and to employees, contractors, and consultants of MGL and its related entities (including the Manager). The Code of Conduct sets out principles and standards for directors and employees to understand their responsibilities 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 includes a requirement to conduct all Macquarie's business in accordance with applicable laws and regulations in the jurisdictions in which Macquarie operates, and in a way that enhances its reputation in those markets.

It covers Macquarie's dealings with external parties and how Macquarie operates internally. It is periodically reviewed and fully endorsed by the Macquarie Board. The document titled What We Stand For, which includes Macquarie's Goals and Values, is distributed to all staff and its standards communicated and reinforced at Macquarie-wide induction programs, presentations to workgroups, online training and annual staff meetings.

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

#### **Macquarie's Integrity Officer**

To strengthen Macquarie's commitment to conducting its business activities in accordance with the highest ethical standards, Macquarie has appointed Executive Director Bill Marynissen, as the Integrity Officer. The Integrity Officer serves as an independent point of contact if directors or staff have a concern about an integrity related issue.

### **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. A summary of Macquarie's Trading Policy (the Policy) is available on Macquarie's website. Its requirements also apply to the trading of CPS.

The Policy applies to directors and staff of Macquarie (all full and part-time employees and contractors engaged). It also applies generally to 'associates' of staff and directors, which includes persons or entities over whom a staff member or director has investment control (eg spouses, dependent children, self-managed super funds and private and family-controlled companies and trusts).

Key aspects of the Policy include:

- **pre-clear securities trading:** Directors, staff and their associates must pre-clear their securities trading with Macquarie
- **trading windows:** 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
- **trading prohibition while in possession of material non-public price-sensitive information:** in all cases Macquarie prohibits Directors and staff from dealing in such investments while they possess material non-public price-sensitive information about Macquarie
- **invested options, retained shares and minimum shareholding requirements cannot be hedged:** Executive Directors 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.

# Corporate Governance Statement

continued

## 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. The Macquarie policy on auditor independence 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 external auditor policy statement is available on Macquarie's website. Under the policy on auditor independence:

- 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. 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 has a Continuous Disclosure Policy which is incorporated in the External Communications Policy which includes policies and procedures in relation to disclosure and compliance with the disclosure requirements in the ASX Listing Rules and its requirements are applied to the Trust. A summary of the External Communications Policy is available on Macquarie's website.

These policies include procedures for dealing with potentially price-sensitive information which includes referral to the Macquarie CEO and Head of Corporate Communications and Investor Relations for a determination as to disclosure required. The ASX liaison person is the Head of Corporate Communications and Investor Relations.

---

## **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](http://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, credit ratings 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 security holder questions directed 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.

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

# Corporate Governance Statement

## continued

### 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 relevant Macquarie policies, including Macquarie's internal risk management policy.

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.

### 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.

Macquarie's risk management policy can be viewed at [macquarie.com.au/mgl/au/about-macquarie-group/profile/corporate-governance](http://macquarie.com.au/mgl/au/about-macquarie-group/profile/corporate-governance)

### 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:

- Geoff Hawkins – Associate Director of Macquarie
- Brendan Howell – External Appointee
- James McNally – External Appointee

A copy of the Compliance Plan is available at [macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/shares-securities/macquarie\\_cps](http://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 77 to 128 of Macquarie's 2011 Annual Report.

#### Director remuneration

The Directors do not receive any specific remuneration in relation to their role as directors of the Manager.

#### Remuneration Committee

The Trust has no employees and the directors of the Manager do not receive any remuneration specifically related to the Trust; therefore the Manager does not consider it necessary or appropriate to establish a remuneration committee.

---

# Auditor's Independence Declaration



---

As lead auditor for the audit of Macquarie CPS Trust for the year ended 30 June 2011, 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* 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 financial year.

A handwritten signature in black ink, appearing to read 'C.J. Heath'.

CJ Heath  
Partner  
PricewaterhouseCoopers

Sydney  
26 August 2011

# Macquarie CPS Trust

## 2011 Financial Report

### Contents

---

Income statement	11
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14
1 Trust information	14
2 Summary of significant accounting policies	14
3 Profit for the financial year	18
4 Investment securities available for sale (non-current)	18
5 Loan capital (non-current)	18
6 Net assets attributable to unit holders	19
7 Related party information	19
8 Key Management Personnel disclosure	19
9 Contingent liabilities and assets	20
10 Financial risk management	20
11 Fair values of financial assets and liabilities	22
12 Audit and other services provided by PricewaterhouseCoopers	23
13 Events after the Reporting Period	23
Directors' declaration	24
Independent audit report	25

## Income statement for the financial year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Interest and similar income	3	66,570	66,570
Interest expense and similar charges	3	(66,570)	(66,570)
Net interest income		-	-
<b>Operating profit before income tax</b>		-	-
Income tax expense		-	-
<b>Profit after income tax</b>		-	-
<b>Profit attributable to unit holders of Macquarie CPS Trust</b>		-	-

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

## Statement of comprehensive income for the financial year ended 30 June 2011

	2011 \$'000	2010 \$'000
<b>Profit after income tax for the financial year</b>	-	-
Total other comprehensive income for the financial year	-	-
<b>Total comprehensive income for the financial year</b>	-	-
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 for the financial year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>Assets</b>			
Investment securities available for sale	4	600,000	600,000
<b>Total assets</b>		<b>600,000</b>	<b>600,000</b>
<b>Liabilities</b>			
Loan capital	5	600,000	600,000
<b>Total liabilities excluding net assets attributable to unit holders</b>		<b>600,000</b>	<b>600,000</b>
<b>Net assets attributable to unit holders</b>		<b>-</b>	<b>-</b>

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 2011

	Total equity \$'000
<b>Balance at 1 July 2009</b>	-
Total comprehensive income for the financial year	-
<b>Balance at 30 June 2010</b>	-
Total comprehensive income for the financial year	-
<b>Balance at 30 June 2011</b>	-

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 2011

---

	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>	-	-
Net cash flows from operating activities	-	-
<b>Cash flows from investing activities</b>	-	-
Net cash flows from investing activities	-	-
<b>Cash flows from financing activities</b>	-	-
Net cash flows from financing activities	-	-
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at the beginning of the financial year	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	-	-

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 2011

### 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:

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

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, amendments to Accounting Standards and Interpretations that are not yet effective

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 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project**

AASB 2010-4 is effective for annual reporting periods beginning on or after 1 January 2011 and 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 Trust will first apply the Standard in the financial year beginning 1 July 2011. Initial application is not expected to result in any material impact.

---

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

In December 2010, the AASB re-issued AASB 9 *Financial Instruments*, which is effective for annual reporting periods beginning on or after 1 January 2013. 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.

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, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) 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.

**IFRS 13 Fair Value Measurement**

In May 2011, IASB issued a new standard IFRS 13, 'Fair Value Measurement'. The standard is effective for annual reporting periods beginning on or after 1 January 2013. It can be adopted early and is applied prospectively. IFRS 13 provides a revised definition of fair value and related application guidance as well as extensive disclosure framework. It replaces fair value measurement guidance that was previously dispersed throughout IFRSs. The Trust does not expect that any adjustments will be necessary as a result of applying the new standard.

**(ii) Foreign currency translations**

**Functional and presentation currency**

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional 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.

# Notes to the financial statements for the financial year ended 30 June 2011

continued

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) Cash and cash equivalents, and statement of cash flows

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.

### (vi) Investments and other financial assets

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 liquidity needs, or considering the impacts of changes in interest rates or exchange rates.

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. 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).

### (vii) 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.

### (viii) 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.

---

**(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 & 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.

# Notes to the financial statements

## for the financial year ended 30 June 2011

continued

	2011 \$'000	2010 \$'000
<b>Note 3</b>		
<b>Profit for the financial year</b>		
<b>Net interest income</b>		
Interest and similar income		
Other related entities	66,570	66,570
Interest expense and similar charges		
Other entities	(66,570)	(66,570)
<b>Net interest income</b>	<b>-</b>	<b>-</b>

The Trust has no employees.

## Note 4

### Investment securities available for sale (non-current)

Debt securities	600,000	600,000
<b>Total investment securities available for sale</b>	<b>600,000</b>	<b>600,000</b>

On 8 July 2008, the Trust acquired \$600 million of preferred limited liability company interests (LPS) from a related entity, Macquarie CPS LLC. The preference shares are redeemable by the 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 (non-current)

Convertible Preference Securities (6 million securities at issue price of \$100 each)	600,000	600,000
<b>Total loan capital</b>	<b>600,000</b>	<b>600,000</b>

The CPS were listed on the Australian Securities 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 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 subject to payment tests as outlined in the CPS Terms in the Product Disclosure Statement, 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 (MGL) 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.

	2011 Number of units	2010 Number of units	2011 \$	2010 \$
--	----------------------------	----------------------------	------------	------------

## Note 6

### Net assets attributable to unit holders

Net assets attributable to unit holders is represented by:

Opening balance of units on issue (2 ordinary units at \$100 each)	2	2	200	200
<b>Closing balance</b>	<b>2</b>	<b>2</b>	<b>200</b>	<b>200</b>

## 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

Amounts receivable and payable to related entities are disclosed in Notes 3 and 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 2011 and 30 June 2010, unless otherwise indicated:

- Matthew Gummer
- Francis Kwok (resigned 1 December 2010)
- David Luboff (appointed 28 May 2010)
- John Roberts
- Timothy Stiel (resigned 28 May 2010)
- Daniel Walmsley (appointed 1 December 2010)
- Greg Ward (resigned 6 July 2009)

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

### Key Management Personnel remuneration

	2011 \$	2010 \$
Amounts in relation to their role as KMP of the Trust	<b>60,000</b>	60,000

During the year, another wholly owned entity within the Macquarie Group paid the amounts disclosed above to the KMP for services rendered to the Trust. 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 were solely related to other services performed with respect to their employment within the Macquarie Group.

# Notes to the financial statements for the financial year ended 30 June 2011

continued

## 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.

## Note 10

### Financial risk management

Risk Management Group

Risk is an integral part of the Macquarie Group 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 to which the Trust are exposed 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 (ie 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.

	2011		2010	
	Investment securities available for sale \$'000	Total \$'000	Investment securities available for sale \$'000	Total \$'000
<b>Americas</b>				
Other	600,000	600,000	600,000	600,000
<b>Total</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>
<b>Total gross credit risk</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>

---

## 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

	2011		2010	
	Neither past due nor impaired		Neither past due nor impaired	
	Unrated \$'000	Total \$'000	Unrated \$'000	Total \$'000
<b>Investment securities available for sale</b>				
Other	600,000	600,000	600,000	600,000
<b>Total</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>

## Note 10.2

### Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities.

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 a redemption has been elected by MGL and approved by APRA. However, there is no obligation to redeem CPS unless an acquisition event occurs. If redemption does not occur, mandatory conversion may occur. It is noted that subsequent to 30 June 2011 the MGL share price has fallen below \$27.10. If this share price is below \$27.10 at 30 June 2013, the Mandatory Conversion Conditions would not be satisfied and the conversion of the CPS will not occur on that date.<sup>1</sup>

1. Details of the Mandatory Conversion Conditions and other terms can be found in the Macquarie Convertible Preference Securities Product Disclosure Statement.

	2011			2010		
	3 to 12 months	1 to 5 years	Total	3 to 12 months	1 to 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Loan capital	66,570	666,570	733,140	66,570	733,140	799,710
<b>Total undiscounted cash flows</b>	<b>66,570</b>	<b>666,570</b>	<b>733,140</b>	<b>66,570</b>	<b>733,140</b>	<b>799,710</b>

# Notes to the financial statements for the financial year ended 30 June 2011

continued

## 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 (ie as prices) or indirectly (ie 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.

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 (eg 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.

	2011 Carrying amount \$'000	2011 Fair value \$'000	2010 Carrying amount \$'000	2010 Fair value \$'000
<b>Liabilities</b>				
Loan capital	600,000	625,326	600,000	638,994
<b>Total financial liabilities</b>	<b>600,000</b>	<b>625,326</b>	<b>600,000</b>	<b>638,994</b>

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

30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Investment securities available for sale	–	600,000	–	600,000
<b>Total assets</b>	<b>–</b>	<b>600,000</b>	<b>–</b>	<b>600,000</b>

30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Investment securities available for sale	–	600,000	–	600,000
<b>Total assets</b>	<b>–</b>	<b>600,000</b>	<b>–</b>	<b>600,000</b>

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 \$12,257 (2010: \$11,786) 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 2011 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 10 to 23 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 2011 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 2011.

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



**Matthew Gummer**  
Director

Sydney  
26 August 2011

# Independent audit report to the members of Macquarie CPS Trust



## 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 2011, 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 Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

## Independence

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

## Auditor's opinion

- (a) the financial report of Macquarie CPS Trust is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Trust's financial position as at 30 June 2011 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

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'C.J. Heath', written over a faint, larger version of the PricewaterhouseCoopers logo.

CJ Heath  
Partner

Sydney  
26 August 2011

## Investor information

### Macquarie Convertible Preference Securities

Twenty largest Securityholders at 24 August 2011	Convertible Preference Securities	% of Convertible Preference Securities
Questor Financial Services Limited – TPS RF A/C	293,441	4.89
RBC Dexia Investor Services Australia Nominees Pty Limited – MLCI A/C	270,659	4.51
J P Morgan Nominees Australia Limited	243,591	4.06
National Nominees Limited	106,080	1.77
Citicorp Nominees Pty Limited	64,718	1.08
RBC Dexia Investor Services Australia Nominees Pty Limited – GSENIIP A/C	60,385	1.01
JMB Pty Limited	50,000	0.83
ABN Amro Clearing Sydney Nominees Pty Ltd – Next Custodian A/C	48,423	0.81
HSBC Custody Nominees (Australia) Limited	45,387	0.76
Cogent Nominees Pty Limited	44,849	0.75
RBC Dexia Investor Services Australia Nominees Pty Limited – NMSMT A/C	42,826	0.71
M F Custodians Ltd	41,015	0.68
The Walter and Eliza Hall Institute of Medical Research	36,210	0.60
BT Portfolio Services Limited – Halcagni Pty Ltd A/C	35,263	0.59
Questor Financial Services Limited – TPS PIP A/C	34,452	0.57
NAMROG Investments Pty Ltd	30,000	0.50
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
Avanteos Investments Limited – Avanteos Super Fund No 2 A/C	24,793	0.41
UBS Wealth Management Australia Nominees Pty Ltd	24,700	0.41
<b>Total</b>	<b>1,546,677</b>	<b>25.77</b>

---

## Spread of Macquarie Convertible Preference Securities

Details of the spread of Macquarie Convertible Preference Securities at 24 August 2011 were as follows:

Range	Holders	Securities
1 – 1,000	8,115	2,537,989
1,001 – 5,000	644	1,382,192
5,001 – 10,000	40	305,902
10,001 – 100,000	31	860,146
100,001 securities and over	4	913,771
<b>Total</b>	<b>8,834</b>	<b>6,000,000</b>

1 Securityholder (representing 1 Convertible Preference Security) 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 [macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/shares-securities/macquarie\\_cps](http://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 [macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/shares-securities/macquarie\\_cps](http://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 6346  
Email: cps@macquarie.com  
Website: macquarie.com.au/shareholdercentre

**Disclaimer**

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.

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.

**Advice Warning**

The annual report is general advice and it does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Macquarie CPS Trust the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment advisor if necessary.

**Complaints Handling**

A formal complaints handling procedure is in place for the CPS Trust. If you have any enquiries 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.



