

Macquarie CPS Trust

Appendix 4D

Half-year report

Period ended 31 December 2012

1. Details of the reporting period and the previous corresponding period

Current period: 1 July 2012 to 31 December 2012
Prior corresponding period: 1 July 2011 to 31 December 2011

2. Results for announcement to the market

| | Half-Year ended 31 December 2012 | Half -Year ended 31 December 2011 | Change |
|---|-------------------------------------|--------------------------------------|--------|
| Key information | \$'000 | \$'000 | % |
| 2.1 Revenues from ordinary activities | 33,559 | 33,559 | - |
| 2.2 Profit from ordinary activities attributable to unit holders of Macquarie CPS Trust | - | - | - |
| 2.3 Profit attributable to unit holders of Macquarie CPS Trust | - | - | - |

2.4 Dividends

No dividends were paid or provided for during the period.

3. Income statement

Refer to the 31 December 2012 Interim financial report.

4. Statement of financial position

Refer to the 31 December 2012 Interim financial report.

5. Statement of cash flows

Refer to the 31 December 2012 Interim financial report.

6. Distribution details

| Date paid | Amount per security \$ | Total amount \$'000 |
|------------------|---------------------------|------------------------|
| 3 January 2012 | 5.5931 | 33,559 |
| 2 July 2012 | 5.5323 | 33,194 |
| 31 December 2012 | 5.5931 | 33,559 |

7. Distribution reinvestment plan details

There was no distribution reinvestment plan in effect during the period.

8. Statement of Undistributed Income

There was no undistributed income during the period.

9. Net tangible assets per ordinary unit

| Security | Half-Year ended 31 December 2012 | Half-Year ended 31 December 2011 |
|---------------|-------------------------------------|-------------------------------------|
| | \$ | \$ |
| Ordinary unit | 100 | 100 |

10. Control gained or lost over entities during the period

Not applicable.

11. Investments in associates and joint ventures

Not applicable.

12. Other information

Refer to the 2012 financial report.

13. Foreign entities

Not applicable.

14. Statement if Financial report is subject to review dispute or qualification

The Financial report has been subject to review, and is not subject to dispute or qualifications.

MACQUARIE CPS TRUST

A.C.N. 129 962 358

Interim Directors' Report and Financial Report
Half-Year ended 31 December 2012



MACQUARIE

The Trust's registered office is:
C/- Company Secretarial
Mezzanine Level
No. 1 Martin Place
Sydney NSW 2000

This interim financial report has been prepared in accordance with Australian Accounting Standards and does not include all the notes of the type normally included in an annual financial report.

This interim financial report should be read in conjunction with the annual report of Macquarie CPS Trust for the year ended 30 June 2012 which was also prepared in accordance with Australian Accounting Standards.

Macquarie CPS Trust

2013 Interim Directors' Report and Financial Report Contents

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Macquarie CPS Trust

Directors' Report for the half-year ended 31 December 2012

In respect of the interim period from 1 July 2012 to 31 December 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 half-year ended 31 December 2012 and the statement of financial position as at 31 December 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 period, until the date of this report, unless otherwise stated:

Patrick Upfold

David Dennis

Matthew Gummer (resigned 5 February 2013)

Anthony Lewis (appointed 5 February 2013)

Principal activities

The principal activity of the Trust during the half-year ended 31 December 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 half-year ended 31 December 2012 was \$nil (30 June 2012: \$nil; 31 December 2011: \$nil).

Distributions

| Date paid | Amount per security | Amount paid |
|------------------|----------------------------|--------------------|
| | \$ | \$ |
| 3 January 2012 | 5.5931 | 33,559,000 |
| 2 July 2012 | 5.5323 | 33,194,000 |
| 31 December 2012 | 5.5931 | 33,559,000 |

Distributions paid or provided on Macquarie Convertible Preference Securities ("CPS") during the half-year were \$33,559,000 (June 2012: \$33,194,000; December 2011: \$33,559,000). 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.

Directors' Report for the half-year ended 31 December 2012 (continued)

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 period under review not otherwise disclosed in this report.

Review of operations

The profit attributable to unit holders of the Trust for the period ended 31 December 2012 was \$nil (30 June 2012: \$nil; 31 December 2011: \$nil).

Net operating income for the period ended 31 December 2012 was \$nil (30 June 2012: \$nil; 31 December 2011: \$nil).

Total operating expenses for the period ended 31 December 2012 was \$nil (30 June 2012: \$nil; 31 December 2011: \$nil).

Events after the Reporting Period

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 period subsequent to 31 December 2012 not otherwise disclosed in this report.

Likely developments in operations and expected outcomes

It is noted that as at 31 December 2012 the Macquarie Group Limited (MGL) share price is above \$27.10. The mandatory conversion of CPS can only take place on 01 July 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 plus margin (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.

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 5 following this report.

Directors' Report for the half-year ended 31 December 2012 (continued)

Rounding of amounts

In accordance with Australian Securities and Investments Commission Class Order 98/0100 (as amended), amounts in the Directors' Report and the half-year 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.

[David Dennis]

Director

Sydney

26 February 2013

The Financial Report was authorised for issue by the Directors on 26 February 2013.
The Trust has the power to amend and reissue the Financial Report.



Auditor's Independence Declaration

As lead auditor for the review of Macquarie CPS Trust for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Partner
PricewaterhouseCoopers

Sydney

Macquarie CPS Trust

Financial Report

Income statement for the half-year ended 31 December 2012

| | | Half-year to 31 Dec 2012 | Half-year to 30 June 2012 | Half-year to 31 Dec 2011 |
|---|--------------|-------------------------------------|------------------------------|-----------------------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| Interest and similar income | 3 | 33,559 | 33,194 | 33,559 |
| Interest expense and similar charges | 3 | (33,559) | (33,194) | (33,559) |
| 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.

Macquarie CPS Trust

Statement of comprehensive income for the half-year ended 31 December 2012

| | Notes | Half-year to 31 Dec 2012 \$'000 | Half-year to 30 June 2012 \$'000 | Half-year to 31 Dec 2011 \$'000 |
|---|-------|---------------------------------------|--|---------------------------------------|
| Profit after income tax for the period | 3 | - | - | - |
| Total other comprehensive income for the period | | - | - | - |
| Total comprehensive income for the period | | - | - | - |
| Total comprehensive income for the period is attributable to: | | | | |
| Unit holders of Macquarie CPS Trust | | - | - | - |

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

Macquarie CPS Trust

Statement of financial position as at 31 December 2012

| | Notes | As at 31 Dec 2012 \$'000 | As at 30 June 2012 \$'000 | As at 31 Dec 2011 \$'000 |
|--|-------|--------------------------------|---------------------------------|--------------------------------|
| Assets | | | | |
| Investment securities available for sale | 4 | 600,000 | 633,194 | 600,000 |
| Total assets | | 600,000 | 633,194 | 600,000 |
| Liabilities | | | | |
| Loan capital | 5 | 600,000 | 633,194 | 600,000 |
| Total liabilities excluding net assets attributable to unit holders | | 600,000 | 633,194 | 600,000 |
| Net assets attributable to unit holders | | - | - | - |

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

Macquarie CPS Trust

Statement of changes in equity for the half-year ended 31 December 2012

| | Total equity \$'000 |
|---|------------------------|
| Balance as at 1 July 2011 | - |
| Total comprehensive income for the period | - |
| Balance as at 31 December 2011 | - |
| Total comprehensive income for the period | - |
| Balance as at 30 June 2012 | - |
| Total comprehensive income for the period | - |
| Balance as at 31 December 2012 | - |

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

Macquarie CPS Trust

Statement of cash flows for the half-year ended 31 December 2012

| | Half-year to 31 Dec 2012 \$'000 | Half-year to 30 June 2012 \$'000 | Half-year to 31 Dec 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 flow 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 period | - | - | - |
| Cash and cash equivalents at the end of the period | - | - | - |

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

Notes to the financial statements for the half-year ended 31 December 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. Basis of preparation

This general purpose financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2012.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report of the Trust for the year ended 30 June 2012.

Accounting Standards effective 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 period has had an immaterial impact.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfer of Financial Assets became applicable in the current period and are to be disclosed in the annual financial report.

AASB 2010-6 adds and amends disclosures about transfers of financial assets. Disclosures apply for transfers of financial assets that do not achieve accounting derecognition, or where the Trust has some form of continuing involvement. Comparative information is not required.

The application of these amendments in the current period do not have any impact on the accounting, financial position or performance of the Trust.

Macquarie CPS Trust

Notes to the financial statements for the half-year ended 31 December 2012 (continued)

| | Half-year to 31 Dec 2012 \$'000 | Half-year to 30 June 2012 \$'000 | Half-year to 31 Dec 2011 \$'000 |
|---|---------------------------------------|--|---------------------------------------|
| Note 3. Profit for the period | | | |
| Net interest income | | | |
| Interest and similar income received/receivable | 33,559 | 33,194 | 33,559 |
| Interest expense and similar charges paid/payable | (33,559) | (33,194) | (33,559) |
| Net interest income | - | - | - |

The Trust has no employees.

Note 4. Investment securities available for sale

| | | | |
|---|----------------|----------------|----------------|
| Debt securities | 600,000 | 600,000 | 600,000 |
| Accrued interest | - | 33,194 | - |
| Total investment securities available for sale | 600,000 | 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. 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 period.

Note 5. Loan capital

| | | | |
|---|----------------|----------------|----------------|
| Convertible Preference Securities (6 million securities at issue price of \$100 each) | 600,000 | 600,000 | 600,000 |
| Accrued interest | - | 33,194 | - |
| Total loan capital | 600,000 | 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 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 (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.

In order for the mandatory conversion to occur on 01 July 2013, the following three conditions must all be met:

- 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);
- 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

Notes to the financial statements for the half-year ended 31 December 2012 (continued)

Note 5. Loan capital (continued)

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

| | Number of units | December 2012 \$ | Number of units | June 2012 \$ | Number of units | December 2011 \$ |
|---|--------------------|------------------------|--------------------|--------------------|--------------------|------------------------|
| Net assets attributable to unit holders is represented by: | | | | | | |
| Opening balance of units on issue (2 ordinary units at \$100 each) | 2 | 200 | 2 | 200 | 2 | 200 |
| Closing balance | 2 | 200 | 2 | 200 | 2 | 200 |

Note 7. 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 8. Audit and other services provided by PricewaterhouseCoopers

The cost of auditor's remuneration for auditing services of \$6,000 (June 2012: \$12,809, December 2011: \$4,000) 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 9. Events after the Reporting Period

There were no material events subsequent to 31 December 2012 that have not been reflected in the financial statements.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 13 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 31 December 2012 and of its performance for the period 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

This declaration has been made after receiving the declarations required in accordance with section 295A of the *Corporations Act 2001 (Cth)* for the half-year ended 31 December 2012.

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

[David Dennis]
Director

Sydney
26 February 2013



Independent auditor's review report to the members of Macquarie CPS Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macquarie CPS Trust, which comprises the statement of financial position as at 31 December 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Macquarie CPS trust.

Directors' Responsibility for the half-year financial report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Macquarie CPS Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Macquarie CPS Trust is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

PricewaterhouseCoopers

Partner

Sydney