

**Macquarie Bank Limited**  
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16 November 2004

ASX Company Announcements  
Australian Stock Exchange Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
Sydney NSW 2000



Dear Sir/Madam

Macquarie Bank Limited interim result announcement

Please find attached the 2005 Interim Directors' report and financial report, and the Appendix 4D Half-Year Report for the half year ended 30 September 2004.

This information should be read in conjunction with Macquarie Bank Limited's 2004 Annual Review and Financial Report.

These documents are provided to ASX in accordance with listing rule 4.2A for announcement to the market on 16 November 2004.

Yours faithfully

Dennis Leong  
**Company Secretary**

**APPENDIX 4D  
HALF YEAR REPORT**

**MACQUARIE BANK LIMITED**  
ABN 46 008 583 542

**HALF YEAR ENDED 30 SEPTEMBER 2004**

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

Current period: 1 April 2004 to 30 September 2004 Prior corresponding period: 1 April 2003 to 30 September 2003
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**2 Results For Announcement To The Market**

	<b>Key information</b>	<b>Half year ended 30 September 2004 \$M</b>	<b>Half year ended 30 September 2003 \$M</b>	<b>% Change</b>
2.1	<b>Income from ordinary activities</b>	1,408	1,176	20%
2.2	<b>Profit/(loss) from ordinary activities after tax attributable to equity holders of Macquarie Bank Limited</b>	298	255	17%
2.3	<b>Net profit/loss attributable to ordinary shareholders of Macquarie Bank Limited</b>	284	242	17%

	<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
2.4	Interim dividend (declared, not yet provided at 30 September 2004)	61 cents	90%
	Final dividend	-	-
2.5	<b>Record date for determining entitlements to the dividends</b>		
	Record date for the interim dividend is 26 November 2004.		

2.6	<b>Commentary</b>
	<p>For the half year ended 30 September 2004, Macquarie Bank Limited achieved a record half year result with a consolidated net profit after income tax attributable to ordinary equity holders of \$284 million. The result was up 17% on the prior corresponding period.</p> <p>Total income from ordinary activities increased to \$1,408 million, an increase of 20% on the prior corresponding period. Total expenses from ordinary activities increased to \$1,003 million, which was 19% up on the prior corresponding period. Basic earnings per share (EPS) has increased to 130.6 cents, 12% up on the prior corresponding period.</p> <p>The record result was achieved in a period where market conditions continued to be broadly favourable to the Bank's businesses. International income for the period was up 34% to \$470 million, representing 33% of the Bank's total income (excluding earnings on capital). Despite lower performance fees from specialist funds, income growth arose through a 19% increase in assets under management to \$74.4 billion (March 2004: \$62.6 billion).</p> <p>During the period, the economic entity enhanced its capital base through the issue of £350 million of tier 1 capital-eligible securities, known as Macquarie Income Preferred Securities ("MIPS"). The MIPS are perpetual securities without a fixed maturity period, but may be redeemed on 15 April 2020 at the Bank's discretion.</p> <p>Refer to the September 2004 Interim Result Announcement for more details.</p>

### 3 Net tangible asset per security

	<b>Half year ended 30 September 2004</b>	<b>Half year ended 30 September 2003</b>
	\$	\$
Ordinary shares	8.86	10.44
Excluding the intangibles (net of associated deferred tax liabilities) within the Bank's businesses held for resale, the NTA per ordinary share would have been \$11.78 at 30 September 2004.		

### 4 Control gained or lost over entities in the half year, and those having material effect

<b>Name of entities where control was gained in the half year</b>	<b>Date control gained</b>
Thermal Capital Corporation, and its controlled entities	30-Jun-04
Executive Air Support Inc, and its controlled entities	29-Jul-04
RG Capital Radio Limited, and its controlled entities	2-Sep-04
DMG Regional Radio Australia Limited, and its controlled entities	10-Sep-04
ETT Nevada Inc, and its controlled entities	29-Sep-04

The above entities did not contribute materially to the reporting entity's profit from ordinary activities.

<b>Name of entities where control was lost in the half year</b>	<b>Date control lost</b>
CH4 Gas Limited, and its controlled entities	7-Apr-04
Macquarie European Infrastructure Fund Limited, and its controlled entities	8-Apr-04
South East Water plc, and its controlled entities	30-Apr-04

The above entities did not contribute materially to the reporting entity's profit from ordinary activities.

### 5 Dividend details

	<b>Half year ended 30 September 2004</b>	<b>Half year ended 30 September 2003</b>
	\$M	\$M
<b>Ordinary share capital</b>		
<b>Interim dividend provided:</b> Nil (2003: Nil) cents per share	-	-
<b>Final dividend paid:</b> 70 (2003: 52) cents per share	151	106
<b>Special dividend paid:</b> Nil (2003: 50) cents per share	-	102
<p>There is no provision for interim dividend in respect of the half year ended 30 September 2004 as a result of AASB 1044: <i>Provisions, Contingent Liabilities and Contingent Assets</i>. A provision for dividend is recognised at the time the dividends are declared, determined or publicly recommended.</p> <p>The final dividend paid during the half year ended 30 September 2004 was 90% franked at 30% (2003: 90% franked at 30%).</p> <p>Since half year end, the Directors have declared the payment of an interim dividend for the financial year ending 31 March 2005 of 61 cents per fully paid ordinary shares, 90% franked at 30%. The aggregate amount of the interim dividend to be paid on 17 December 2004 out of retained profits at 30 September 2004, but not recognised as a liability at half year end, is \$134 million. This amount has been estimated based on the number of shares eligible to participate as at 30 September 2004.</p>		

## 5 Dividend details (continued)

<p><b><u>Converting preference shares</u></b></p> <p>There will be no further preference dividends paid in respect of these shares following their conversion to fully paid ordinary shares on 25 September 2003.</p> <p>Dividends on these shares of \$Nil (2003: \$5 million) were charged to the Statement of Financial Performance as interest expense in accordance with AASB 1033: <i>Presentation and Disclosure of Financial Instruments</i> .</p> <p>The dividends paid on 25 September 2003 and 16 June 2003 were both fully franked at 30%.</p>
<p><b><u>Macquarie Income Securities</u></b></p> <p>Distributions paid during the half year ended 30 September 2004 (net of distributions previously provided) were \$8 million (2003: \$8 million). Distributions provided at 30 September 2004 are \$6 million (2003: \$5 million). The distributions in respect of Macquarie Income Securities are classified as distributions on an equity instrument in accordance with AASB 1033: <i>Presentation and Disclosure of Financial Instruments</i> .</p>
<p><b><u>Macquarie Income Preferred Securities</u></b></p> <p>On 22 September 2004, Macquarie Capital Funding L.P., a Macquarie Group entity established to facilitate capital raising, issued £350 million of tier 1 capital-eligible securities ("Macquarie Income Preferred Securities", "MIPS"). The securities – guaranteed non-cumulative step-up perpetual preferred securities – will pay a 6.177% semi-annual non-cumulative fixed rate distribution. They are perpetual securities and have no fixed maturity but may be redeemed on 15 April 2020, at the Bank's discretion. If redemption is not elected on this date, the distribution rate will be reset to 2.35% per annum above the then five year benchmark sterling gilt rate. The securities may be redeemed on each fifth anniversary thereafter at the Bank's discretion. The first coupon will be paid on 15 April 2005.</p> <p>There were no distributions on the Macquarie Income Preferred Securities paid or declared as at 30 September 2004. Distributions provided at 30 September 2004 are \$1 million (2003: Nil). The distributions in respect of Macquarie Income Preferred Securities are reflected in the Bank's financial statements as payable to an outside equity interest of the economic entity.</p>

## 6 Dividend or distribution reinvestment plan details

<p>The Dividend Reinvestment Plan ("DRP") was approved by ordinary shareholders at the 2001 Annual General Meeting. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs, at the prevailing market value. On 30 October 2003, the 2.5% discount which had been provided on the DRP was reduced to nil. A shareholder can elect to participate in or terminate their involvement in the DRP at any time.</p> <p>The last date for the receipt of an election notice for participation in the DRP in relation to the interim dividend to be paid on 17 December 2004 is 25 November 2004.</p>
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## 7 Investment associates and joint ventures

Name	Ownership interest (%)
AmInvestment Management Sdn Bhd (Malaysia)	30
AmInvestment Services Bhd (Malaysia)	30
AMPCI Macquarie Infrastructure Management No. 1 Limited	50
AMPCI Macquarie Infrastructure Management No. 2 Limited	50
Austian (Tianjin) Real Estate Development Co. Limited (China)	50
Bathurst Street Nominees Pty Limited	50
Bondi Beach Railway Pty Limited	50
The Cannery Unit Trust	20
CH4 Gas Limited	41
Concept Blue Finance Pty Limited	50
Concept Blue Joint Venture	50
Coriolis Holdings Pty Limited	50
Dun & Bradstreet Consumer Credit Pty Limited	29
Edenbrooke Village Pty Limited	50
First China Property Group Limited (Hong Kong)	50
First Southern Crown Limited	30
Gen Y Limited	20
Goulbourn and Border Broadcasters Pty Limited	50
Hakone Turnpike Limited	50
Helmsman Funds Management Limited	50
Helmsman Funds Management Pty Limited	50
ICA Property Group Pty Limited	45
Japan Infrastructure Group Co. Limited	50
Kuraby Developments Pty Ltd	50
Leisure & Entertainment Acquisitions Pty Limited	40
Leisure Equity Partners Pty Limited	50
Mackay Transmission Facility Pty Limited	50
Macquarie Capital Partners LLC (United States)	58
Macquarie CCY Feeder Fund (Bermuda)	39
Macquarie Central Office CR-REIT (Korea)	22
Macquarie European Infrastructure Fund LP	16
Macquarie FX Feeder Fund (Bermuda)	39
Macquarie FX Feeder Fund No. 2 (Bermuda)	39
Macquarie Global Property Advisors	49
Macquarie Goodman Management Limited	40
Macquarie Offshore Feeder Fund (Bermuda)	39
Macquarie Offshore Feeder Fund No. 2 (Bermuda)	39
Macquarie Offshore Feeder Fund No. 3 (Bermuda)	39
Macquarie Pro-Logis Management LLC	50
Macquarie Real Estate Equity Fund No. 1 Pty Limited	23
Macquarie Real Estate Equity Fund No. 2 Pty Limited	20
Macquarie Real Estate Equity Fund No. 4 Pty Limited	28
Macquarie Securitisation Shanghai Co. Limited (China)	50
Macquarie Shinhan Infrastructure Management Co. Limited (Korea)	80
Macquarie Syndication (No. 17) Pty Limited	50
MacSea Nominees Pty Limited	50
MacSea Nominees No. 2 Pty Limited	50
MAP Marine Limited	50
Medallist Developments Pty Limited	70
Medallist Development Trust	70
Medallist Holdings Inc. (United States)	80
Medallist Schofields Trust	50
Medallist Springfield Unit Trust	50
Medallist Vintage Trust	50
Mining Equipment Company Pty Limited	45

## 7 Investment associates and joint ventures (continued)

Name	Ownership interest (%)
Moodmessaging Pty Limited	30
MP Management LLC (United States)	50
MPI Private Trustee Limited (Bermuda)	50
National Radio Sales Australia Pty Limited	50
Oxton Custodian Pty Limited	49
Proximity Development Pty Limited	33
Radio Newcastle Pty Limited	50
Ringwood Superabrasives Pty Limited	22
River Links Development Pty Limited	41
RMAC Australia Pty Limited	50
Rockhampton Transmission Facility	50
Securiclear Pty Limited	50
SHI Holdings Pty Limited	20
Shinhan Macquarie Financial Advisory Co Limited (Korea)	49
Smartsalary Pty Limited	20
Southern African Infrastructure Funds Managers (Proprietary) Limited (South Africa)	50
Springthorpe Syndicate	28
Tasman Economics Pty Limited	25
The Financial Arena Pty Limited	20
Tianjin Macquarie Property Development Management Co. Limited (China)	50
Underdale Joint Venture	50
United Securities Investment Trust Enterprise	40
Vytel Spectrum Pty Limited	50

The above entities did not contribute materially to the reporting entity's profit from ordinary activities.

## 8 Foreign entities, applicable accounting standards used

Not applicable
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## 9 Statement if financial report is subject to review dispute or qualification

The financial report has been subject to review, and is not subject to disputes or qualifications.
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# MACQUARIE BANK LIMITED

A.B.N. 46 008 583 542

**2005 Interim Directors' report and financial report**

**Half year ended 30 September 2004**



MACQUARIE  
BANK

# MACQUARIE BANK LIMITED

*and its controlled entities*

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# **MACQUARIE BANK LIMITED**

*and its controlled entities*

## **DIRECTORS' REPORT FOR THE HALF YEAR ENDED 30 SEPTEMBER 2004**

In accordance with a resolution of the Voting Directors ("the Directors") of Macquarie Bank Limited ("the Bank"), the Directors submit herewith the Statement of Financial Position as at 30 September 2004, the Statement of Financial Performance and Statement of Cash Flows of the Bank and its controlled entities (together "the economic entity") for the half year ended on that date ("the period") and report as follows.

### **DIRECTORS**

At the date of this report Directors of the Bank are:

#### *Executive Directors:*

D.S. Clarke, AO *Executive Chairman*

A.E. Moss, *Managing Director*

M.R.G. Johnson, *Deputy Chairman*

L.G. Cox, AO

#### *Independent\* Directors:*

J.G. Allpass

P.M. Kirby

C.B. Livingstone

H.K. McCann

B.R. Martin

J.R. Niland, AC

H.M. Nugent, AO

\* In accordance with the Bank's definition of independence (as set out in the Corporate Governance Statement contained in the 2004 Annual Review).

The above Directors each held office as a Director of the Bank throughout the period and up until the date of this report.

### **RESULT**

The consolidated profit from ordinary activities after income tax attributable to ordinary equity holders for the period was \$284 million (2003: \$242 million).

### **INTERIM DIVIDEND**

The Board has declared a 90% franked interim dividend of 61 cents per ordinary share (Sep 2003: 52 cents per ordinary share), to be payable on 17 December 2004.

### **REVIEW OF OPERATIONS**

For the half year ended 30 September 2004, the economic entity achieved a record half-year result with a consolidated net profit after income tax attributable to ordinary equity holders of \$284 million. The result was up 13% on the prior period and 17% on the prior corresponding period.

Total income from ordinary activities increased to \$1,408 million, an increase of 9% on the prior period and 20% on the prior corresponding period. Total expenses from ordinary activities increased to \$1,003 million, which was 7% up on the prior period and 19% up on the prior corresponding period. Basic earnings per share ("EPS") has increased to 130.6 cents, 12% up on the prior period and 12% on the prior corresponding period.

# **MACQUARIE BANK LIMITED**

*and its controlled entities*

## **DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2004**

(continued)

### **REVIEW OF OPERATIONS (continued)**

The record result was achieved in a period where market conditions continued to be broadly favourable to the Bank's businesses. International income for the period was up 34% to \$470 million, representing 33% of the Bank's total income (excluding earnings on capital). Despite lower performance fees from specialist funds, income growth arose through a 19% increase in assets under management to \$74.4 billion (March 2004: \$62.6 billion).

During the period, the economic entity enhanced its capital base through the issue of £350 million of tier 1 capital-eligible securities, known as Macquarie Income Preferred Securities ("MIPS"). The MIPS are perpetual securities without a fixed maturity period, but may be redeemed on 15 April 2020 at the Bank's discretion. Further details of the MIPS issue is disclosed in the financial report.

### **ROUNDING OF AMOUNTS**

In accordance with Class Order 98/0100 issued by the Australian Securities & Investments Commission ("ASIC") amounts in the Directors' report and the financial report have been rounded off to the nearest million dollars unless otherwise indicated.

**D.S. Clarke, Director**

**A.E. Moss, Director**

Sydney  
15 November 2004

**MACQUARIE BANK LIMITED***and its controlled entities***CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2004**

	Notes	Half year to 30 Sep 2004 \$m	Half year to 31 Mar 2004 \$m	Half year to 30 Sep 2003 \$m
Interest income	3	803	684	551
Interest expense	3	(628)	(557)	(408)
Net interest income		175	127	143
Fee and commission income	3	952	805	844
Fee and commission expense	3	(214)	(192)	(139)
Net fee and commission income		738	613	705
Trading income	3	336	337	225
Other income	3	214	267	126
Other expenses	3	(55)	(55)	(23)
Total income from ordinary activities		1,408	1,289	1,176
Employment expenses	3	(734)	(640)	(617)
Occupancy expenses	3	(51)	(57)	(45)
Non-salary technology expenses	3	(45)	(61)	(45)
Professional fees, travel and communication expenses	3	(82)	(96)	(66)
Other operating expenses	3	(91)	(86)	(67)
Total expenses from ordinary activities		(1,003)	(940)	(840)
<b>Profit from ordinary activities before income tax</b>		<b>405</b>	349	336
Income tax expense	5	(105)	(83)	(78)
<b>Profit from ordinary activities after income tax</b>		<b>300</b>	266	258
Outside equity interest				
Macquarie Income Preferred Securities	14	(1)	-	-
Other equity holders	14	(1)	-	(3)
<b>Profit from ordinary activities after income tax attributable to equity holders of Macquarie Bank Limited*</b>		<b>298</b>	266	255
Distributions paid or provided on				
Macquarie Income Securities	6	(14)	(14)	(13)
Profit from ordinary activities after income tax attributable to ordinary equity holders of Macquarie Bank Limited		<b>284</b>	252	242
			<b>Cents per share</b>	
<b>Basic earnings per share</b>	7	<b>130.6</b>	116.8	116.2
<b>Diluted earnings per share</b>	7	<b>128.7</b>	114.6	114.4

\* There were no valuation adjustments recognised directly in equity.

*The consolidated statement of financial performance should be read in conjunction with the accompanying notes.*

**MACQUARIE BANK LIMITED***and its controlled entities***CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2004**

	Notes	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>Assets</b>				
Cash and liquid assets		690	647	691
Securities purchased under resale agreements		7,398	8,598	6,747
Trading assets	8	6,342	6,891	5,150
Other securities	9	2,288	1,847	2,583
Loan assets	10	12,110	10,777	10,914
Other financial market assets		5,677	6,694	5,434
Other financial assets		3,613	3,531	2,108
Intangible assets - businesses held for resale		706	-	-
Life insurance investment assets		2,184	2,350	2,693
Equity investments		169	138	114
Investments in associates and incorporated joint ventures		273	169	134
Fixed assets		503	1,945	117
Tax assets		161	184	117
<b>Total assets</b>		<b>42,114</b>	<b>43,771</b>	<b>36,802</b>
<b>Liabilities</b>				
Due to other financial institutions		1,118	1,935	700
Securities sold under repurchase agreements		2,715	2,597	3,941
Securities borrowed		4,076	5,750	3,275
Deposits		4,738	4,215	3,876
Notes payable	12	13,070	12,608	11,120
Other financial market liabilities		4,559	5,821	4,830
Tax liabilities		35	53	38
Other financial liabilities		4,477	4,215	2,292
Life insurance policy liabilities		2,124	2,291	2,483
Provisions for dividends and distributions		7	6	5
Deferred tax liabilities		258	413	28
Other provisions		80	74	68
<b>Total liabilities excluding loan capital</b>		<b>37,257</b>	<b>39,978</b>	<b>32,656</b>
<b>Loan capital</b>				
Subordinated debt		915	960	805
<b>Total liabilities</b>		<b>38,172</b>	<b>40,938</b>	<b>33,461</b>
<b>Net assets</b>		<b>3,942</b>	<b>2,833</b>	<b>3,341</b>
<b>Equity</b>				
Contributed equity				
Ordinary share capital	13	1,474	1,382	1,465
Macquarie Income Securities	13	391	391	391
Retained earnings	14	1,173	1,040	901
Total equity attributable to equity holders of Macquarie Bank Limited		3,038	2,813	2,757
Outside equity interest				
Macquarie Income Preferred Securities	14	861	-	-
Other equity holders	14	43	20	584
Total outside equity interests in controlled entities		904	20	584
<b>Total equity</b>		<b>3,942</b>	<b>2,833</b>	<b>3,341</b>

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

**MACQUARIE BANK LIMITED***and its controlled entities***CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2004**

Notes	Half year to 30 Sep 2004 \$m	Half year to 31 Mar 2004 \$m	Half year to 30 Sep 2003 \$m
<b>Cash flows from operating activities</b>			
Interest received	765	672	559
Interest and other costs of finance (paid)	(629)	(483)	(444)
Dividends and distributions received	98	25	95
Fees and other non-interest income received	842	912	700
Fees and commissions (paid)	(176)	(188)	(132)
Net receipts/(payments) from trading securities and other financial instruments	995	(2,435)	372
Payments to suppliers	(410)	(247)	(392)
Employment expenses (paid)	(928)	(274)	(645)
Income taxes refunded/(paid)	2	(149)	11
Life insurance investment income	81	69	32
Life insurance premiums received	602	561	718
Life insurance (policy payments)	(857)	(842)	(776)
Businesses purchased for resale – net receipts from operations	15	47	-
<b>Net cash flows from operating activities</b>	<b>400</b>	<b>(2,332)</b>	<b>98</b>
<b>Cash flows from investing activities</b>			
Loan assets (granted)	(7,536)	(2,518)	(3,310)
Proceeds from securitisation of loan assets	6,255	2,531	2,395
Recovery of loans previously written-off	1	-	4
(Payments) for other securities	(528)	(839)	(510)
Proceeds from the realisation of other securities	296	1,368	13
(Payments) for life insurance investments	(2,258)	(3,033)	(2,528)
Proceeds from the sale of life insurance investments	2,506	3,101	2,780
(Payments) for equity investments	(140)	(120)	(46)
Proceeds from the sale of equity investments	45	26	59
(Payments) for fixed assets	(109)	(85)	(23)
Proceeds from the sale of fixed assets	3	21	2
(Payments) for businesses purchased for resale, net of cash acquired	17	(903)	-
Proceeds from sale of businesses, net of cash acquired	17	222	-
(Payment) for acquisition of controlled entities, net of cash acquired	-	250	-
Proceeds from the sale of controlled entities	17	4	37
Cash deconsolidated	-	(4)	-
<b>Net cash flows from investing activities</b>	<b>(2,287)</b>	<b>(248)</b>	<b>(1,127)</b>
<b>Cash flows from financing activities</b>			
Net (decrease)/increase in money market and other deposit accounts	1,013	1,856	970
(Repayment) of subordinated debt	(65)	-	(70)
Issue of subordinated debt	-	193	479
Dividends and distributions (paid)	(137)	(93)	(115)
Proceeds from the issue of ordinary share capital	64	37	84
Proceeds from the issue of Macquarie Income Preferred Securities	894	-	-
(Payment) of issue costs on Macquarie Income Preferred Securities	(10)	-	-
(Payment) for buy back of ordinary shares	-	(167)	-
(Payments to)/proceeds from outside equity interest	8	(384)	2
Proceeds from borrowing for acquisition businesses purchased for resale	226	1,062	-
<b>Net cash flows from financing activities</b>	<b>1,993</b>	<b>2,504</b>	<b>1,350</b>
<b>Net increase/(decrease) in cash held</b>	<b>106</b>	<b>(76)</b>	<b>321</b>
Cash at the beginning of the period	534	610	289
<b>Cash at the end of the period</b>	<b>640</b>	<b>534</b>	<b>610</b>

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

# MACQUARIE BANK LIMITED

and its controlled entities

## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2004

### 1. BASIS OF PREPARATION

This general purpose financial report for the half year ended 30 September 2004 (“the period”) has been prepared in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report comprises the consolidated financial report of Macquarie Bank Limited (“the Bank”) and the entities it controlled at the end of or during the period (together, “the economic entity”).

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this financial report be read in conjunction with the 31 March 2004 annual review and financial report of the economic entity and any public announcements made by the Bank during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

In accordance with Australian Securities & Investments Commission Class Order 98/0100 amounts in this financial report have been rounded off to the nearest million dollars unless otherwise indicated.

The accounting policies are consistent with those of the previous financial year and corresponding periods, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform with changes in presentation at 30 September 2004.

#### **Impact of adopting Australian equivalents to International Financial Reporting Standards**

The economic entity will be required to prepare financial statements using Australian Standards that are equivalent to International Financial Reporting Standards and their related pronouncements (“IFRS”) from 1 April 2005. The first financial statements that the economic entity will prepare in accordance with IFRS will be for the half year ending 30 September 2005 and the financial year ending 31 March 2006.

In accordance with IFRS, the comparative financial statements for each of these periods will be restated using the new accounting standards from 1 April 2004, with the exception of AASB 132: *Financial Instruments: Disclosure and Presentation* (“AASB 132”) and AASB 139: *Financial Instruments: Recognition and Measurement* (“AASB 139”). As permitted by the transitional provisions of IFRS, management has elected to defer the application of AASB 132 and AASB 139 for twelve months. Adjustments required on transition to IFRS will be made retrospectively, mostly against opening retained earnings, at the respective dates. Restated comparatives will not be reported in financial statements until 30 September 2005, being the first half year reported in accordance with IFRS.

#### **Transition management**

A formal IFRS conversion project has been established, with the project team being responsible for assessing the impact that IFRS will have on the accounting and reporting of the economic entity, and managing the transition to IFRS. The project team is also responsible for keeping abreast of developments in IFRS.

The project is divided into three distinct phases: impact assessment and evaluation, systems and process development, and implementation. Management have been working with external IFRS specialists to ensure that the quality of interpretation of the standards and application to the Bank and the economic entity is high. The first phase of the project is primarily complete, and the systems and process development and implementation phases are well progressed. These phases will be completed by 31 March 2005.

#### **Key accounting issues**

The key potential implications of the transition to IFRS on the economic entity’s accounting policies are detailed below.

#### **Regulatory capital**

Many of the changes below will have an impact on the economic entity’s assets and equity items which are included in the calculation of the economic entity’s regulatory capital. The Australian Prudential Regulation Authority (“APRA”) has advised that it will not make any IFRS-related changes to the existing prudential framework until it has completed relevant consultations, and not before 1 July 2005 at the earliest. In the interim, APRA regulated institutions will need to continue to comply with, and report in terms of, current prudential standards.

# MACQUARIE BANK LIMITED

and its controlled entities

## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2004

### 1. BASIS OF PREPARATION (continued)

#### Changes applicable in comparative period commencing 1 April 2004

The table below summarises the nature of the adjustments expected to be made to the economic entity's consolidated statement of financial position as at 1 April 2004 (excluding the tax effect) and reported in the half-year results on 30 September 2005. This includes all material IFRS changes excluding those arising from AASB 132 and AASB 139. The amount of the adjustments arising on transition to IFRS have been estimated. As final policy decisions have not been made, estimates are indicative only and actual adjustments may vary.

Description	Expected impact	Estimated gross adjustment
<p><b>Consolidation of certain Special Purpose Entities ("SPEs"):</b> A different interpretation of the consolidation rules applicable to SPEs will result in most of the Bank's mortgage securitisations and some other SPEs being consolidated by the economic entity.</p>	<p><u>Mortgage SPEs</u> The underlying mortgage loans and liabilities to noteholders (along with derivatives) held by the SPEs will be reported on the Bank's consolidated statement of financial position. Derivatives will be carried at fair value from 1 April 2005.</p> <p>Profit and loss will no longer reflect management fees and other fees earned from the SPEs. Instead, the profit and loss will show gross interest income earned on mortgage loans, interest expense accrued to noteholders, movements in the fair values of derivatives unless hedge accounting rules are met, with any remaining net margin reflected in profit and loss.</p> <p>Certain derivatives held by the mortgage SPEs will not qualify for hedge accounting and consequently changes in the fair value of these derivatives will result in volatility in the profit and loss.</p> <p><u>Other SPEs</u> For the other SPEs that will be consolidated, the underlying SPE assets and liabilities will be recorded in the Bank's statement of financial position. There is not expected to be any profit impact arising from consolidation of these SPEs.</p>	<p>On transition, mortgage loans and liabilities will increase by approximately \$12 billion. No retained earnings adjustments.</p> <p>Adjustments to carry derivatives at fair value, apply the hedge accounting requirements within AASB 139 and to measure interest income/interest expense on an effective yield basis will be made in the following year (adjustment to statement of financial position as at 1 April 2005 and first reported 30 September 2005).</p> <p>On transition, assets and liabilities are expected to increase by approximately \$3 billion. No retained earnings adjustments.</p>
<p><b>Share based payments:</b> The economic entity will be required to recognise an expense for options granted to employees. Options are measured at their grant dates, and once the number expected to vest is determined, the aggregate amount is allocated evenly over the vesting period. These rules apply only to options granted after 7 November 2002.</p>	<p>An options reserve (equity) and an employee expense will be recognised each period for the amount allocated to that period.</p> <p>The transition adjustment to retained earnings will reflect the amount to be amortised for the period from 7 November 2002 to 31 March 2004.</p> <p>Subsequent to transition, the annual expense may increase as the number of unvested options granted since November 2002 increases. Assuming that the current Employee Option plan continues, the full impact of unvested options will be reflected from the financial year ending 31 March 2008.</p>	<p>On transition, an options reserve will be created for approximately \$10 million, with an offsetting adjustment to retained earnings.</p> <p>After transition, the expense to be recognised in the comparative period for the year ending 31 March 2006 (ie. year ending 31 March 2005) is estimated to be approximately \$30 million.</p>

# MACQUARIE BANK LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2004

### 1. BASIS OF PREPARATION (continued)

#### Changes applicable in comparative period commencing 1 April 2004 (continued)

Description	Expected impact	Estimated gross adjustment
<b>Taxation:</b> A "balance sheet" approach will be adopted, replacing the "Statement of Financial Performance" approach currently applied. The new method will recognise deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base.	It is expected that there will be some increases in the levels of deferred tax assets and liabilities.	No material change in profit and loss or retained earnings.

#### Changes applicable from 1 April 2005

The table below summarises the nature of the adjustments expected to be made to the economic entity's statement of financial position as at 1 April 2005 (excluding the tax effect) and reported in the half-year results on 30 September 2005, in addition to the table above. This includes all material IFRS changes arising from AASB 132 and AASB 139. These adjustments have not been quantified, as they will depend on uncertain future information (for example, market conditions and positions held at 31 March 2005).

Description	Expected impact
<b>Provisions for loan impairment:</b> IFRS requires an incurred loss model for general loan provisioning, rather than an expected loss model.  The Bank's general provision for credit losses is currently maintained at 55 basis points on risk weighted assets.	Provisions are to be recognised only in respect of those losses for which there is "objective evidence" of impairment at each balance date. The methodology to calculate this provision is still being developed. It is expected that there will be a reduction in the amount of the Bank's general provisioning for impaired loans.
<b>Derivatives:</b> All derivatives, including those used for balance sheet hedging purposes, are required to be recognised on balance sheet and carried at fair value.  Movements in the carrying amounts of derivatives are recognised in profit or loss, unless hedge accounting is applied. Where strict hedge criteria are met, IFRS permits cash flow hedging, fair value hedging and hedging a net investment in a foreign operation.	A hybrid approach is being adopted to the volatility arising from carrying all derivatives at fair value. This includes choosing to carry an offsetting exposure at fair value, applying fair value hedge accounting to some exposures, applying cash flow hedge accounting to other exposures, and accepting a level of volatility.  It is expected that these new rules will introduce some volatility in profit and loss and equity reserves based on changes in interest rates. The overall impact is not expected to be material.
<b>Interest revenue and expense recognition:</b> Under IFRS, certain upfront fees and associated transaction costs must be capitalised and included in the loan's effective interest rate and recognised over the expected life of the loan.	Certain fees and transaction costs will no longer be recognised upfront, but will be amortised over the life of the loan through the yield.  This is not expected to have a material impact on net profit, however some reclassifications between fee income and interest income will occur.

# MACQUARIE BANK LIMITED

and its controlled entities

## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2004

### 1. BASIS OF PREPARATION (continued)

#### Changes applicable from 1 April 2005 (continued)

Description	Expected impact
<p><b>Loans at fair value:</b> As noted above, one of the solutions for dealing with the volatility arising from carrying all derivatives at fair value is to irrevocably choose to carry some financial instruments with a natural offsetting exposure at fair value through the profit or loss. Consequently, some of the loan assets are expected to be carried at fair value.</p>	<p>Loan assets will be reclassified to fair value through the profit and loss. Measuring the loan asset at fair value means that changes to interest rates and credit spreads will impact the profit or loss, but this will be largely offset by revaluing derivatives used to mitigate these risks.</p>
<p><b>Available for sale financial instruments:</b> Certain equity investments and investment securities currently carried at historical cost / amortised cost will be reclassified to Available for sale financial instruments.</p>	<p>Available for sale financial instruments will be carried at fair value with changes in fair value recognised in an equity reserve. This may result in volatility in the equity reserve.</p>
<p><b>Debt vs Equity classification:</b> <b>MIS securities.</b></p>	<p>No change in classification is expected. The MIS will continue to be classified as equity.</p>
<p><b>Debt vs Equity classification:</b> <b>MIPS securities.</b> Hybrid capital was recently raised in a foreign currency (Macquarie Income Preferred Securities), which are classified as outside equity interest. <b>Hedging of MIPS securities.</b> Economically, the interest rate risk and foreign exchange risk will be hedged through the use of derivatives and existing foreign currency denominated assets, while for accounting purposes the Bank is unlikely to achieve hedge accounting for the movements in interest rates.</p>	<p>Hybrid capital will continue to be classified as equity and continue to be included within outside equity interest.</p> <p>Derivatives (interest rate swaps and forward exchange contracts) will be carried at fair value. Changes in the fair value of foreign exchange contracts due to changes in the spot rate are expected to offset the changes from retranslating the foreign currency denominated assets. Changes in fair value of foreign exchange contracts due to time value will result in some volatility in the profit and loss. Changes in the fair value of the interest rate swaps will be recognised in the profit and loss, and create volatility as hedge accounting will not apply.</p>

**MACQUARIE BANK LIMITED***and its controlled entities***NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004**

	<b>Half year to 30 Sep 2004 \$m</b>	Half year to 31 Mar 2004 \$m	Half year to 30 Sep 2003 \$m
<b>2. OPERATING REVENUE</b>			
Interest income	<b>803</b>	684	551
Fee and commission income	<b>1,065</b>	920	960
Trading income	<b>336</b>	337	225
Proceeds from the sale of other securities and equity investments	<b>332</b>	230	72
Other income (excluding profit from the sale of other securities and equity investments)	<b>170</b>	185	80
<b>Total operating revenue</b>	<b>2,706</b>	2,356	1,888
<b>3. PROFIT FROM ORDINARY ACTIVITIES</b>			
<b>Interest income</b>			
Interest income	<b>803</b>	684	551
Interest expense	<b>(628)</b>	(557)	(408)
<b>Total net interest income</b>	<b>175</b>	127	143
<b>Fee and commission income</b>			
Fee and commission income	<b>939</b>	790	830
Fee and commission expense	<b>(214)</b>	(192)	(139)
Income from life insurance business	<b>13</b>	15	14
<b>Net fee and commission income</b>	<b>738</b>	613	705
<b>Trading income</b>			
Equities	<b>156</b>	206	108
Commodities	<b>90</b>	45	37
Foreign exchange products	<b>77</b>	78	57
Interest rate products	<b>13</b>	8	23
<b>Total trading income</b>	<b>336</b>	337	225

**MACQUARIE BANK LIMITED***and its controlled entities***NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004**

	<b>Half year to 30 Sep 2004 \$m</b>	Half year to 31 Mar 2004 \$m	Half year to 30 Sep 2003 \$m
<b>3. PROFIT FROM ORDINARY ACTIVITIES (continued)</b>			
<b>Other income</b>			
Proceeds from the sale of other securities and equity investments	<b>332</b>	230	72
Less carrying value of other securities and equity investments	<b>(288)</b>	(148)	(26)
Profit on the sale of other securities and equity investments	<b>44</b>	82	46
Sales revenue from businesses purchased for resale	<b>61</b>	125	-
Gain on deconsolidation of controlled entities	<b>28</b>	-	15
Share of net profits of associates and incorporated joint ventures accounted for using the equity method	<b>17</b>	20	15
Dividends and distributions received/receivable from other securities and equity investments	<b>38</b>	29	20
Life insurance income earned on shareholders' funds	<b>3</b>	1	4
Other income	<b>23</b>	10	26
<b>Total other income</b>	<b>214</b>	267	126
Provision for diminution of equity investments, other securities and associates – written back/(provided)	<b>4</b>	(15)	17
General provision for credit losses (refer Note 10)	<b>(15)</b>	(6)	(11)
Specific provisions			
- provided for during the period (refer Note 10)	<b>(27)</b>	(27)	(16)
- recovery of loans previously provided for (refer Note 10)	<b>8</b>	3	3
- loan losses written-off	<b>(3)</b>	(1)	-
- recovery of loans previously written-off	<b>1</b>	1	1
<b>Total net charge for provisions</b>	<b>(32)</b>	(45)	(6)
Expenses from businesses purchased for resale	<b>(19)</b>	-	-
Other expenses	<b>(4)</b>	(10)	(17)
<b>Total other expenses</b>	<b>(55)</b>	(55)	(23)
<b>Net other income</b>	<b>159</b>	212	103
<b>Total income from ordinary activities</b>	<b>1,408</b>	1,289	1,176

**MACQUARIE BANK LIMITED***and its controlled entities***NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004**

	Half year to 30 Sep 2004 \$m	Half year to 31 Mar 2004 \$m	Half year to 30 Sep 2003 \$m
<b>3. PROFIT FROM ORDINARY ACTIVITIES (continued)</b>			
<b>Employment expenses</b>			
Salary, salary-related costs, superannuation, performance-related profit share and staff training	(716)	(617)	(609)
Provision for annual leave	(7)	-	(5)
Provision for long service leave	(3)	(1)	(3)
Businesses purchased for resale – employment expenses	(8)	(22)	-
<b>Total employment expenses</b>	<b>(734)</b>	<b>(640)</b>	<b>(617)</b>
<b>Occupancy expenses</b>			
Operating lease rental	(37)	(34)	(34)
Depreciation: furniture, fittings and leasehold improvements	(6)	(7)	(6)
Businesses purchased for resale – occupancy expenses	(3)	(11)	-
Other occupancy expenses	(5)	(5)	(5)
<b>Total occupancy expenses</b>	<b>(51)</b>	<b>(57)</b>	<b>(45)</b>
<b>Non-salary technology expenses</b>			
Information services	(19)	(17)	(15)
Depreciation: computer equipment and software	(12)	(29)	(17)
Businesses purchased for resale – non-salary technology expenses	-	(1)	-
Other non-salary technology expenses	(14)	(14)	(13)
<b>Total non-salary technology expenses</b>	<b>(45)</b>	<b>(61)</b>	<b>(45)</b>
<b>Professional fees, travel and communication expenses</b>			
Professional fees	(38)	(42)	(35)
Auditors' remuneration	(4)	(4)	(3)
Travel expenses	(26)	(23)	(17)
Communication expenses	(10)	(9)	(9)
Depreciation: communication equipment	(2)	(3)	(2)
Businesses purchased for resale – professional fees, travel and communication expenses	(2)	(15)	-
<b>Total professional fees, travel and communication expenses</b>	<b>(82)</b>	<b>(96)</b>	<b>(66)</b>
<b>Other operating expenses</b>			
Other operating expenses	(73)	(50)	(67)
Businesses purchased for resale – other operating expenses	(18)	(36)	-
<b>Other operating expenses</b>	<b>(91)</b>	<b>(86)</b>	<b>(67)</b>
<b>Total expenses from ordinary activities</b>	<b>(1,003)</b>	<b>(940)</b>	<b>(840)</b>

# MACQUARIE BANK LIMITED

and its controlled entities

## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2004

### 4. SEGMENT INFORMATION

Segment revenues and profits are those that are directly attributable to a segment or the relevant portion that can be allocated to a segment on a reasonable basis.

Any transfers between segments have been determined on an arms -length basis and eliminated on consolidation.

#### Primary segment - business

For internal reporting and risk management purposes, the economic entity is divided into six operating Groups (“the Groups”). The Groups do not meet the definition of a reportable business segment for the purposes of reporting in accordance with AASB 1005: *Segment Reporting*, because the Groups provide certain products to customers which have the same, or similar, risk and return characteristics.

For the purposes of determining business segments the activities of the economic entity have been divided into four areas:

- Asset and Wealth Management: distribution and manufacture of funds management products;
- Financial Markets: trading in fixed income, equities, currency, commodities and derivative products;
- Investment Banking: corporate finance, advisory, underwriting, facilitation, broking and real estate/property development; and
- Lending: banking activities, mortgages, margin lending and leasing.

	Asset and Wealth Management \$m	Financial Markets \$m	Investment Banking \$m	Lending \$m	Total \$m
<b>Half year ended 30 September 2004</b>					
Total revenue from ordinary activities	561	689	876	580	2,706
Total income from ordinary activities	351	284	537	236	1,408
Profit from ordinary activities after income tax	70	78	103	49	300
<b>Half year ended 31 March 2004</b>					
Total revenue from ordinary activities	586	637	614	519	2,356
Total income from ordinary activities	328	301	496	164	1,289
Profit from ordinary activities after income tax	56	90	94	26	266
<b>Half year ended 30 September 2003</b>					
Total revenue from ordinary activities	580	486	381	441	1,888
Total income from ordinary activities	397	273	339	167	1,176
Profit from ordinary activities after income tax	90	71	69	28	258

# MACQUARIE BANK LIMITED

and its controlled entities

## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2004

### 5. INCOME TAX EXPENSE

Prima facie income tax on profit from ordinary activities is reconciled to the income tax expense charged in the Statement of Financial Performance as follows:

	Half year to 30 Sep 2004 \$m	Half year to 31 Mar 2004 \$m	Half year to 30 Sep 2003 \$m
Income tax expense on profit from ordinary activities*	(121)	(104)	(101)
Add/(deduct) tax effect of permanent differences:			
Rate differential on offshore income	25	15	13
Deductible distributions paid/provided	1	4	4
Net effect of different tax rates for life insurance business	2	2	2
Rebateable dividend income	1	3	2
Dividend paid/provided on Converting Preference Shares	-	-	(2)
Other items	(13)	(3)	4
	16	21	23
<b>Total income tax expense</b>	<b>(105)</b>	<b>(83)</b>	<b>(78)</b>

\* Prima facie income tax on profit from ordinary activities is calculated at the rate of 30% (2003: 30%).

The economic entity has a tax year ending on 30 September.

The Australian Taxation Office ("ATO") is currently reviewing the interests held by the economic entity in research and development syndicates, and has disputed the value of core technology in all syndicates. Amended assessments have been issued in relation to two syndicates, against which objections were lodged. In relation to one of these syndicates, the objection was upheld in the Administrative Appeals Tribunal ("AAT"). The ATO lodged an appeal against the AAT decision with the Federal Court, which remitted certain aspects of the matter to the AAT for further consideration. Prior to the rehearing by the AAT, the ATO decided not to pursue the case. In relation to the other assessed syndicate, no objection decision has yet been received. Details of the total amounts in dispute (including amended assessments) have not been disclosed because the Directors believe this would prejudice the economic entity's position.

In relation to the Macquarie Income Securities ("MIS"), the Bank has received independent legal advice confirming that deductions totalling \$129 million, giving rise to a tax receivable of \$42 million, are available in respect of all MIS interest payments paid before 30 June 2004. The Federal Court at first instance has held that the amounts are not deductible and an appeal has been lodged with the Full Federal Court.

In preparing this financial report the Directors have considered the information currently available and have taken legal advice as to the economic entity's tax liability and in accordance with this believe that provisions made are adequate.

# MACQUARIE BANK LIMITED

and its controlled entities

## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2004

	Note	Half year to 30 Sep 2004 \$m	Half year to 31 Mar 2004 \$m	Half year to 30 Sep 2003 \$m
<b>6. DIVIDENDS PAID AND DISTRIBUTIONS PAID OR PROVIDED</b>				
<b>Ordinary share capital</b>				
Interim dividend paid (52 (2003: 41) cents per share)		-	113	-
Final dividend paid (70 (2003: 52) cents per share)		151	-	106
Special dividend paid (Nil (2003: 50) cents per share)		-	-	102
<b>Total dividends paid</b>		<b>151</b>	<b>113</b>	<b>208</b>

The interim dividend for the financial year ended 31 March 2004 was 90% franked at the 30% corporate tax rate. The final dividend for the financial year ended 31 March 2004 was 90% franked at 30%. The final and special dividends for the financial year ended 31 March 2003 of \$106 million and \$102 million respectively were recognised as a provision as at 31 March 2003 in accordance with Accounting Standards in effect at that time.

On 15 November 2004, the Directors declared an interim dividend for the financial year ending 31 March 2005 of 61 cents per share, 90% franked at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 December 2004 out of retained earnings as at 30 September 2004, but not recognised as a liability as at that date, is \$134 million. This amount has been calculated based on the number of shares eligible to participate as at 30 September 2004.

The Bank's Dividend Reinvestment Plan ("DRP") remains activated. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Details of the fully paid ordinary shares issued pursuant to the DRP are included in Note 13 – Contributed equity.

### Converting Preference Shares

Dividends on these shares of \$Nil (2003: \$5.4 million) have been charged to the Statement of Financial Performance as interest expense in accordance with AASB 1033: *Presentation and Disclosure of Financial Instruments*.

The dividends paid on 25 September 2003 and 16 June 2003 were fully franked at 30%.

There will be no further preference dividends paid in respect of these shares following their conversion to fully paid ordinary shares on 25 September 2003.

### Macquarie Income Securities

Distributions paid (net of distributions previously provided)		8	13	8
Distributions provided		6	1	5
<b>Total distributions paid or provided</b>		<b>14</b>	<b>14</b>	<b>13</b>

The distributions paid/provided in respect of the Macquarie Income Securities are classified as distributions on an equity instrument in accordance with AASB 1033: *Presentation and Disclosure of Financial Instruments*.

### Macquarie Income Preferred Securities

Distributions provided	14	1	-	-
<b>Total distributions paid or provided</b>		<b>1</b>	<b>-</b>	<b>-</b>

The Macquarie Income Preferred Securities issued during the period represent an Outside Equity Interest of the economic entity. Accordingly, the distributions paid/provided in respect of the Macquarie Income Preferred Securities are recorded as movements in the Outside Equity Interest, as disclosed in note 14.

**MACQUARIE BANK LIMITED***and its controlled entities***NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2004**

	Half year to 30 Sep 2004	Half year to 31 Mar 2004	Half year to 30 Sep 2003
<b>7. EARNINGS PER SHARE</b>			
		<b>Cents per share</b>	
<b>Basic earnings per share</b>	<b>130.6</b>	116.8	116.2
<b>Diluted earnings per share</b>	<b>128.7</b>	114.6	114.4
	<b>\$m</b>	\$m	\$m
<b>Reconciliation of earnings used in the calculation of basic earnings per share</b>			
Profit from ordinary activities after income tax	<b>300</b>	266	258
(Profit) attributable to outside equity interests			
Macquarie Income Preferred Securities	(1)	-	-
Other equity holders	(1)	-	(3)
Distributions paid or provided on:			
Macquarie Income Securities	(14)	(14)	(13)
<b>Total earnings used in the calculation of basic earnings per share</b>	<b>284</b>	252	242
<b>Reconciliation of earnings used in the calculation of diluted earnings per share</b>			
Earnings used in calculating basic earnings per share	<b>284</b>	252	242
Interest saving from conversion of Converting Preference Shares	-	-	5
<b>Total earnings used in the calculation of diluted earnings per share</b>	<b>284</b>	252	247
		<b>Number of shares</b>	
<b>Total weighted average number of ordinary shares used in the calculation of basic earnings per share</b>	<b>217,402,861</b>	215,713,144	208,287,427
<b>Weighted average number of shares used in the calculation of diluted earnings per share</b>			
Fully paid ordinary shares	<b>217,402,861</b>	215,713,144	208,287,427
Options	<b>3,311,784</b>	4,198,964	2,872,425
Converting Preference Shares	-	-	4,698,059
<b>Total weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share</b>	<b>220,714,645</b>	219,912,108	215,857,911

**MACQUARIE BANK LIMITED***and its controlled entities***NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2004**

	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>8. TRADING ASSETS</b>			
<b>Trading securities</b>			
Listed equity securities	2,667	3,987	2,513
Certificates of deposit	985	944	775
Debt securities	994	867	1,084
Other government securities	904	626	443
Commonwealth government bonds	373	84	34
Bank bills	332	251	191
Foreign OECD government securities	34	22	37
Other non-OECD government securities	24	38	12
<b>Total trading securities</b>	<b>6,313</b>	<b>6,819</b>	<b>5,089</b>
<b>Other trading assets</b>			
Bullion – allocated	17	37	25
Other commodities	12	35	36
<b>Total other trading assets</b>	<b>29</b>	<b>72</b>	<b>61</b>
<b>Total trading assets</b>	<b>6,342</b>	<b>6,891</b>	<b>5,150</b>
<b>9. OTHER SECURITIES</b>			
<b>Listed</b>			
Shares and units in unit trusts at cost	63	182	261
Less provision for diminution	(3)	(17)	(27)
Shares and units in units trusts at recoverable amount	60	165	234
Shares and units in unit trusts at cost requiring no provision for diminution	459	123	122
<b>Total listed other securities</b>	<b>519</b>	<b>288</b>	<b>356</b>
<b>Unlisted</b>			
Shares and units in unit trusts at cost	4	5	59
Less provision for diminution	(2)	(1)	(3)
Shares and units in units trusts at recoverable amount	2	4	56
Shares and units in unit trusts at cost requiring no provision for diminution	166	225	142
Debt investment securities	1,601	1,330	2,029
<b>Total unlisted other securities</b>	<b>1,769</b>	<b>1,559</b>	<b>2,227</b>
<b>Total other securities</b>	<b>2,288</b>	<b>1,847</b>	<b>2,583</b>

The market value of listed other securities held at 30 September 2004 was \$784 million (Mar 2004: \$389 million), as compared to a book value of \$519 million (Mar 2004: \$288 million).

**MACQUARIE BANK LIMITED***and its controlled entities***NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2004**

	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>10. LOAN ASSETS</b>			
<b>Due from other financial institutions</b>			
Loans and advances	1,450	1,810	2,581
Lease receivables	4	5	7
<b>Total due from other financial institutions</b>	<b>1,454</b>	<b>1,815</b>	<b>2,588</b>
<b>Due from governments*</b>			
Lease receivables	470	529	599
Loans and advances	59	44	66
<b>Total due from governments</b>	<b>529</b>	<b>573</b>	<b>665</b>
<b>Due from other entities</b>			
Other loans and advances	9,088	7,546	6,928
Less specific provisions	(53)	(36)	(29)
	<b>9,035</b>	<b>7,510</b>	<b>6,899</b>
Lease receivables	1,182	954	828
<b>Total due from other entities</b>	<b>10,217</b>	<b>8,464</b>	<b>7,727</b>
Total gross loan assets	12,200	10,852	10,980
Less general provision for credit losses	(90)	(75)	(66)
<b>Total loan assets</b>	<b>12,110</b>	<b>10,777</b>	<b>10,914</b>

\* Governments include Federal, State and Local governments and related enterprises in Australia.

**Specific provisions**

Balance at the beginning of the period	36	29	14
Provided during the period	27	27	16
Loan assets written off, previously provided for	(2)	(17)	(2)
Recovery of loans previously provided for	(8)	(3)	(3)
Transfer from other provisions and other items	-	-	4
<b>Total specific provisions</b>	<b>53</b>	<b>36</b>	<b>29</b>

The specific provisions relate to doubtful loan assets that have been identified and provided for.

**General provision for credit losses**

Balance at the beginning of the period	75	66	55
Provided for during the period	15	6	11
Businesses acquired	-	3	-
<b>Total general provision for credit losses</b>	<b>90</b>	<b>75</b>	<b>66</b>

The general provision for credit losses is 0.55% (Sep 2003: 0.55%) of total risk-weighted exposures.

The general provision for credit losses is intended to cover expected losses inherent in the existing overall credit portfolio which are not yet identifiable.

# MACQUARIE BANK LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2004

	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>11. IMPAIRED ASSETS</b>			
Impaired assets includes loan assets and impaired items in respect of derivative financial instruments and unrecognised contingent commitments, which are classified as:			
Non-accrual loans without specific provisions for impairment	5	5	-
Non-accrual loans with specific provisions for impairment	76	92	41
Less specific provisions	(53)	(36)	(29)
Total non-accrual loans with specific provisions for impairment	23	56	12
Impaired derivative financial instruments with specific provisions for impairment	1	1	1
Less specific provisions	(1)	(1)	(1)
Total impaired derivative financial instruments with specific provisions for impairment	-	-	-
<b>Total net impaired assets</b>	<b>28</b>	<b>61</b>	<b>12</b>
<b>Revenue foregone on impaired assets</b>			
Interest	-	2	1
<b>Total revenue foregone on impaired assets</b>	<b>-</b>	<b>2</b>	<b>1</b>

Revenue recognised in respect of impaired assets was less than \$1 million for the half years ended 30 September 2004, 31 March 2004 and 30 September 2003.

## 12. NOTES PAYABLE

Euro commercial paper	3,808	3,421	3,755
Euro floating rate notes	3,418	3,475	2,347
Negotiable certificates of deposit	3,094	2,299	2,518
Equity linked notes	1,308	1,542	915
US commercial paper	424	854	1,212
Domestic issued paper	43	290	275
Other notes	975	727	98
<b>Total notes payable</b>	<b>13,070</b>	<b>12,608</b>	<b>11,120</b>
<b>Reconciliation of notes payable by major currency</b>			
Australian dollars	3,683	2,874	3,271
United States dollars	3,208	4,733	4,285
Euro	2,293	1,649	690
Great British pounds	1,852	1,366	1,346
Hong Kong dollars	1,421	1,490	1,010
Japanese yen	512	398	470
Other currencies	101	98	48
<b>Total notes payable by currency</b>	<b>13,070</b>	<b>12,608</b>	<b>11,120</b>

The Bank's primary tool for domestic and international debt issuance is its multi-currency, multi-jurisdictional Debt Instrument Programme. Securities can be issued for terms varying from one day to 30 years.

**MACQUARIE BANK LIMITED***and its controlled entities***NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2004**

	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>13. CONTRIBUTED EQUITY</b>			
<b>Ordinary share capital</b>			
Opening balance of 215,916,285 (Mar 2003: 204,498,144) fully paid ordinary shares	1,382	1,465	1,137
Issue of 3,002,108 (2003: 4,659,498) shares on exercise of options	64	36	84
Issue of 842,601 shares on 2 July 2004 pursuant to the Dividend Reinvestment Plan ("DRP") at \$33.46 per share	28	-	-
Issue of 36,192 shares on 16 January 2004 pursuant to the Employee Share Plan at \$33.87 per share*	-	1	-
Issue of 1,020,072 shares on 19 December 2003 pursuant to the DRP at \$34.04 per share	-	35	-
Issue of 3,908,671 shares on 2 July 2003 pursuant to the DRP at \$27.02 per share	-	-	106
Issue of 4,857,315 shares on 25 September 2003 at \$30.88 per share pursuant to conversion of the Converting Preference Shares**	-	-	150
On-market buy-back and cancellation of 4,857,315 shares**	-	(155)	(12)
<b>Closing balance of 219,760,994 (Sep 2003: 217,567,485) fully paid ordinary shares</b>	<b>1,474</b>	<b>1,382</b>	<b>1,465</b>
<b>Macquarie Income Securities</b>	<b>391</b>	<b>391</b>	<b>391</b>

\* The value of these shares was expensed as part of the employee profit share pool.

\*\* On 25 September 2003, the Bank exercised its option under the Terms of Issue of the Converting Preference Shares ("CPS") and converted all 1.5 million CPS on issue to fully paid ordinary shares. The CPS were converted to ordinary shares at the rate of 3.24 ordinary shares for 1 CPS, resulting in the issue of 4,857,315 fully paid ordinary shares.

From September to December 2003, the Bank purchased on market and subsequently cancelled all 4,857,315 fully paid ordinary shares that arose from the conversion of the CPS. The buy-back and cancellation was approved by the Australian Prudential Regulation Authority. The shares were acquired at an average price of \$34.42 per share.

**MACQUARIE BANK LIMITED**

and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2004**

	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>14. RETAINED EARNINGS AND OUTSIDE EQUITY INTERESTS</b>			
<b>Retained earnings</b>			
Balance at the beginning of the period	1,040	901	659
Change in accounting policy:			
Reinstatement of prior year declared dividend *	-	-	208
Prior year declared dividend paid *	-	-	(208)
Profit from ordinary activities after income tax attributable to equity holders	298	266	255
Distributions paid or provided on Macquarie Income Securities	(14)	(14)	(13)
Dividends paid or provided on ordinary share capital	(151)	(113)	-
<b>Total retained earnings</b>	<b>1,173</b>	<b>1,040</b>	<b>901</b>
* From 1 April 2003, AASB1044: <i>Provisions, Contingent Liabilities and Contingent Assets</i> became operative for the economic entity.			
An adjustment of \$208 million was made against the economic entity's retained profits as at 1 April 2003 to reverse the amount provided as at 31 March 2003 for the Bank's 2003 final and special dividends. These provisions were reinstated in May 2003 when the dividends were declared by the Directors.			
<b>Outside equity interests in controlled entities</b>			
Macquarie Income Preferred Securities *			
Proceeds on issue of Macquarie Income Preferred Securities	894	-	-
Issue costs	(10)	-	-
	884	-	-
Retained earnings	1	-	-
Distribution provided	(1)	-	-
Foreign currency translation reserve	(23)	-	-
	861	-	-
Other equity holders in controlled entities			
Ordinary share capital	22	22	12
Partnership capital	-	-	393
Units in unit trusts	24	-	181
Accumulated losses	(3)	(2)	(2)
	43	20	584
<b>Total outside equity interests in controlled entities</b>	<b>904</b>	<b>20</b>	<b>584</b>

\* On 22 September 2004, Macquarie Capital Funding L.P., a member of the economic entity established to facilitate capital raising, issued £350 million of tier 1 capital-eligible securities ("Macquarie Income Preferred Securities", "the Securities"). The Securities – guaranteed non-cumulative step-up perpetual preferred securities – will pay a 6.177% semi-annual non-cumulative fixed rate distribution. They are perpetual securities and have no fixed maturity but may be redeemed on 15 April 2020, at the Bank's discretion. If redemption is not elected on this date, the distribution rate will be reset to 2.35% per annum above the then five year benchmark sterling gilt rate. The Securities may be redeemed on each fifth anniversary thereafter at the Bank's discretion. The first coupon will be paid on 15 April 2005.

The issue is reflected in the Bank's financial statements as an outside equity interest of the economic entity, with distribution entitlements being included with the outside equity interest share of profit after tax.

**MACQUARIE BANK LIMITED***and its controlled entities***NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2004**

	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>15. CONTINGENT LIABILITIES</b>			
Contingent liabilities exist in respect of:			
Guarantees (a) (b)	203	182	132
Credit derivatives – purchased (c)	62	60	1,070
Underwriting facilities	451	476	602
Indemnities	52	53	219
Undrawn credit facilities	2,838	2,345	2,326
Undrawn credit facilities – revocable at any time	1,439	1,563	1,588
Other contingent liabilities (d)	427	327	39
<b>Total contingent liabilities</b>	<b>5,472</b>	<b>5,006</b>	<b>5,976</b>

Contingent liabilities exist in respect of claims and potential claims against entities in the economic entity. Where necessary, appropriate provisions have been made in the financial statements. The economic entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position.

- (a) All external guarantees, other than those noted for Macquarie Investment Management Limited (“MIML”) in (b) below, and letters of credit are provided by the Bank. Included in external guarantees are guarantees backed by cash of \$26 million (Sep 2003: \$13 million).
- (b) MIML covenants that while it acts as the Responsible Entity of the Macquarie Cash Management Trust, unit holders in that trust will be paid upon redemption or repurchase of a unit issued prior to 28 April 1985, where the unit holder has continuously held units from 28 April 1985, not less than the sum of \$1.00: \$45 million (Sep 2003: \$44 million). At 31 March 2004 the audited financial report of the Macquarie Cash Management Trust discloses the value of units on issue and the income entitlement thereon aggregating to \$9.5 billion (Mar 2003: \$8.9 billion) and assets aggregating to \$9.6 billion (Mar 2003: \$9.0 billion).
- (c) The Bank purchases credit derivatives to mitigate credit risks arising from client exposures.
- (d) Other contingent liabilities includes letters of credit, written put options, performance related contingents and forward purchases.

# MACQUARIE BANK LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2004

	Half year to 30 Sep 2004			Half year to 31 Mar 2004			Half year to 30 Sep 2003		
	Av. Balance	Inc./ (exp.)	Av. rate	Av. balance	Inc./ (exp.)	Av. rate	Av. balance	Inc./ (exp.)	Av. rate
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
<b>16. AVERAGE STATEMENT OF FINANCIAL POSITION</b>									
<b>ASSETS</b>									
<b>Interest bearing assets</b>									
Cash and liquid assets	427	4	1.6	117	2	3.1	53	1	4.5
Securities purchased under resale agreement	8,833	201	4.5	6,196	139	4.5	4,057	92	4.5
Trading assets	4,173	113	5.4	3,715	98	5.3	2,950	75	5.1
Other securities	1,526	36	4.7	1,168	28	4.9	2,092	35	3.3
Loan assets	12,101	421	6.9	11,050	389	7.1	9,674	318	6.6
Other financial assets	205	4	4.0	5	-	5.3	24	1	4.8
<b>Total interest bearing assets</b>	<b>27,265</b>	<b>779</b>		<b>22,251</b>	<b>656</b>		<b>18,850</b>	<b>522</b>	
<b>Total non-interest bearing assets</b>	<b>17,534</b>			<b>18,587</b>			<b>15,379</b>		
<b>Total assets</b>	<b>44,799</b>			<b>40,838</b>			<b>34,229</b>		
<b>LIABILITIES</b>									
<b>Interest bearing liabilities</b>									
Due to other financial institutions	1,156	(19)	3.4	696	(9)	2.5	932	(12)	2.6
Securities sold under repurchase agreements	4,547	(99)	4.3	3,036	(68)	4.5	2,598	(62)	4.7
Securities borrowed	3,801	(102)	5.3	2,829	(76)	5.4	872	(23)	5.2
Deposits	4,527	(92)	4.1	4,903	(111)	4.5	3,818	(74)	3.9
Notes payable	12,904	(260)	4.0	11,646	(238)	4.1	9,960	(183)	3.7
Other liabilities	789	(18)	4.7	626	(14)	4.3	668	(12)	3.7
<b>Loan capital</b>									
Subordinated debt	915	(22)	4.9	844	(19)	4.6	594	(12)	4.1
Converting Preference Shares	-	-	-	-	-	-	145	(5)	7.4
<b>Total interest bearing liabilities</b>	<b>28,639</b>	<b>(612)</b>		<b>24,580</b>	<b>(535)</b>		<b>19,587</b>	<b>(383)</b>	
<b>Total non-interest bearing liabilities</b>	<b>13,092</b>			<b>13,434</b>			<b>11,765</b>		
<b>Total liabilities</b>	<b>41,731</b>			<b>38,014</b>			<b>31,352</b>		
<b>Net assets</b>	<b>3,068</b>			<b>2,824</b>			<b>2,877</b>		
<b>EQUITY</b>									
Contributed equity									
Ordinary share capital	1,424			1,378			1,251		
Macquarie Income Securities	391			391			391		
Retained earnings	1,093			976			833		
<b>Total equity attributable to equity holders of the Bank</b>	<b>2,908</b>			<b>2,745</b>			<b>2,475</b>		
Outside equity interests in controlled entities	160			79			402		
<b>Total equity</b>	<b>3,068</b>			<b>2,824</b>			<b>2,877</b>		

Average interest income and expense in relation to assets and liabilities set off in the Statement of Financial Position in accordance with Accounting Standards are not included in the above analysis. Such interest and expense is shown gross in Note 3 – Profit from ordinary activities in accordance with the requirements of AASB 1018: *Statement of Financial Performance*.

# MACQUARIE BANK LIMITED

and its controlled entities

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2004

### 17. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

#### Entities acquired or consolidated due to change in control:

##### a) District Energy

On 30 June 2004, a controlled entity of the Bank acquired 100% of various Chicago energy companies which operate a number of cooling plants in the Chicago area, for a cost of \$197 million. On 29 September 2004, a controlled entity of the Bank acquired control of various Las Vegas energy companies for a cost of \$36 million. These two related acquisitions are collectively known as "District Energy".

##### b) Atlantic Aviation

On 29 July 2004, a controlled entity of the Bank acquired 100% of various companies (collectively "Atlantic Aviation") which provide services to a number of North American airports, for a cost of \$317 million.

##### c) RG Capital Radio

On 20 August 2004, a wholly-owned subsidiary of the Bank received Federal Court approval for its proposed Scheme of Arrangement for the acquisition of 100% of the issued shares and options of RG Capital Radio Pty Limited ("RG Capital Radio") for a cost of \$178 million. Settlement of the transaction took place on 2 September 2004.

##### d) DMG Regional Radio

On 10 September 2004, a wholly-owned subsidiary of the Bank acquired 100% of DMG Regional Radio Pty Limited ("DMG Regional Radio") for a cost of \$194 million.

Aggregate details of the acquisitions are as follows:

	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>Fair value of net assets acquired</b>			
Cash and other financial assets	79	1,484	-
Fixed assets and other non-current assets	400	1,823	-
Intangible assets	721	4	-
Payables and provisions	(216)	(1,949)	-
Borrowings	(62)	(198)	-
Total fair value of net assets acquired	922	1,164	-
<b>Purchase consideration</b>			
Cash consideration	922	1,019	-
Deferred consideration	-	145	-
Total purchase consideration	922	1,164	-
<b>Reconciliation of cash movement</b>			
Cash consideration	(922)	(1,019)	-
Less: cash acquired	19	319	-
Total cash outflow	(903)	(700)	-

The fair value of assets and liabilities acquired may differ to those that will be disclosed in the March 2005 Financial Report as a result of valuations being finalised subsequent to acquisition and revisions in the final allocation of the purchase consideration.

The 31 March 2004 comparatives relate to the acquisitions of South East Water plc, Arlanda Express and the ING Asian Equities Business. While the terms of the acquisition of the ING Asian Equities Business resulted in consolidation of the acquisition from 8 March 2004, the acquisition was formally completed on 31 July 2004, when Macquarie paid the \$145 million deferred component of the purchase price.

# MACQUARIE BANK LIMITED

and its controlled entities

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2004

### 17. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES (continued)

#### Entities disposed of or deconsolidated due to change in control:

##### a) Deconsolidation of South East Water

On 30 April 2004, a subsidiary of the Bank sold a 75.1% interest in South East Water plc ("SEW") to Macquarie European Infrastructure Fund ("MEIF") at cost. The Bank has retained a holding of 24.9% of SEW, which has not been equity accounted.

##### b) Deconsolidation of Arlanda Express

On 8 April 2004, the Bank's investment in MEIF was diluted from 100% to 16.1%. MEIF included a 100% investment in A-Train AB and A-Train Invest AG (collectively "Arlanda Express"). As a result of the sale, the Bank is no longer required to consolidate its interest in MEIF and its interest in Arlanda Express.

##### c) Deconsolidation of CH4 Gas Limited

On 7 April 2004, the Bank's investment in CH4 Gas Limited ("CH4") was diluted from 66% to 41%. From that date, the Bank ceased to consolidate its interest in CH4. Due to the Bank's ongoing ownership interest, the investment in CH4 has been equity accounted from that date.

Details of the disposal and deconsolidations are as follows:

	As at 30 Sep 2004 \$m	As at 31 Mar 2004 \$m	As at 30 Sep 2003 \$m
<b>MBL's carrying value of assets and liabilities disposed</b>			
Cash and other financial assets	155	-	35
Fixed assets and other non-current assets	1,879	-	12
Intangible assets	26	-	-
Payables and provisions	(683)	-	(21)
Borrowings	(1,022)	-	(24)
Net carrying value of assets and liabilities disposed	355	-	2
<b>Reconciliation of cash movement</b>			
Cash received*	289	-	41
Less:			
Investment retained	-	-	(5)
Cash disposed	(63)	-	(4)
Net cash inflow	226	-	32

\* Cash received includes repayment of intercompany debt.

The 30 September 2003 comparatives relate to the disposal of ntl Telecommunications Pty Limited and the deconsolidation of Macquarie Transmission Alberta Limited and Macquarie Essential Assets Partnership.

### 18. EVENTS OCCURRING AFTER REPORTING DATE

On 20 October 2004, the Bank announced its support for the proposed merger of Macquarie Goodman Industrial Trust ("MGI") and Macquarie Goodman Management Limited ("MGM"). The proposed merger is subject to MGM shareholder and MGI unitholder approval in votes to be taken in January 2005.

The Bank currently holds 39.1% of MGM. Should the merger proceed the Bank proposes to retain its entire stake in MGM, resulting in the conversion of the Bank's current holding to an 8.8% interest in the merged Group. Under the requirements of Australian Accounting Standards, the conversion would result in a pre-tax accounting profit to be recognised by the Bank of approximately \$255 million. The net accounting profit (after tax and provision for profit share) expected to be recognised is approximately \$80 million.

# **MACQUARIE BANK LIMITED**

*and its controlled entities*

## **DIRECTORS' DECLARATION**

The Directors declare that the financial statements and notes set out on pages 5 to 27:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the economic entity's financial position as at 30 September 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Macquarie Bank Limited will be able to pay its debts as and when they become due and payable.

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

**D.S. Clarke, Director**

**A.E. Moss, Director**

Sydney  
15 November 2004

# MACQUARIE BANK LIMITED

and its controlled entities

## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MACQUARIE BANK LIMITED

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Macquarie Bank Limited:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Macquarie Bank Limited and its controlled entities (“the economic entity”) as at 30 September 2004 and of its performance for the half year ended on that date; and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors’ responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors’ declaration for the economic entity, for the half year ended 30 September 2004. The economic entity comprises both Macquarie Bank Limited (the Bank) and the entities it controlled during that half year.

The Directors of the Bank are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Review approach

We conducted an independent review in order for the Bank to lodge the financial report with the Australian Securities & Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the economic entity’s financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of Bank personnel; and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and 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.

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

**MACQUARIE BANK LIMITED**

*and its controlled entities*

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MACQUARIE BANK LIMITED**

(continued)

**Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

I.L. Hammond  
Partner

Sydney  
15 November 2004