MACQUARIE GROUP
INTERIM DIRECTORS' REPORT AND FINANCIAL REPORT
HALF-YEAR ENDED 30 SEPTEMBER 2009

MACQUARIE

MACQUARIE GROUP LIMITED ACN 122 169 279

Cover image: A stylised contemporary version of the Holey Dollar

In 1813 Governor Lachlan Macquarie overcame an acute currency shortage by purchasing Spanish silver dollars (then worth five shillings), punching the centres out and creating two new coins – the 'Holey Dollar' (valued at five shillings) and the 'Dump' (valued at one shilling and three pence).

This single move not only doubled the number of coins in circulation but increased their worth by 25 per cent and prevented the coins leaving the colony. Governor Macquarie's creation of the Holey Dollar was an inspired solution to a difficult problem and for this reason it was chosen as the symbol for Macquarie Group.

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 Group Limited for 31 March 2009, which was also prepared in accordance with Australian Accounting Standards. In addition, reference should be made to any public announcements made by Macquarie Group Limited during the interim reporting period and in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Financial report

for the half-year ended 30 September 2009

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Directors' Report
for the half-year ended 30 September 2009

In accordance with a resolution of the Voting Directors ("the Directors") of Macquarie Group Limited (MGL or "the Company"), the Directors submit herewith the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended 30 September 2009 and the consolidated statement of financial position as at 30 September 2009, of the Company and its subsidiaries (together "the consolidated entity") for the half-year ended on that date ("the period") and report as follows:

Directors

At the date of this report, the Directors of Macquarie are:

Non-Executive Director:

D.S. Clarke, AO, Chairman[1]

Executive Director:

N.W. Moore, Managing Director and Chief Executive Officer

Independent Directors: [2]

P.M. Kirby

C.B. Livingstone, AO

H.K. McCann, AM[1]

J.R. Niland, AC

H.M. Nugent, AO

P. H. Warne

(1) On 31 August 2009 Mr D.S. Clarke, AO, resumed full duties as Chairman following a leave of absence which commenced on 28 November 2008 and acting Chairman Mr H.K. McCann, AM resumed his role as Lead Independent Director.

(2) In accordance with the consolidated entity's definition of independence (as set out in the Corporate Governance Statement contained in the 2009 Annual Report).

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

Those Directors listed as Independent Directors have been independent throughout the period.

Mr L.G. Cox, AO was an Executive Director from the beginning of the financial period until his retirement on 29 July 2009.

Result

The financial report for the half-year ended 30 September 2009, and the results herein, are prepared in accordance with Australian Accounting Standards. The consolidated profit attributable to ordinary equity holders of the Company, in accordance with Australian Accounting Standards, for the period was $479 million (31 March 2009: $267 million; 30 September 2008: $604 million).

Review of Operations

Consolidated net profit after income tax attributable to ordinary equity holders for the half-year ended 30 September 2009 was $479 million, a 21 percent decrease from $604 million in the prior corresponding period and a 79 percent increase from $267 million in the prior period. The result includes significant write-downs, impairment provisions, and equity accounted losses, negative fair value adjustments on fixed rate issued debt, and large gains from the financing of a further acquisition of Macquarie Income Preferred Securities and the internalisation of the management of Macquarie Airports.

The result contributes to a decrease in earnings per share from $2.17 per share in the prior corresponding period to $1.50 for the half-year to 30 September 2009. The interim dividend declared is $0.86 per share, unfranked, resulting in a dividend payout ratio of 60 percent.

In May 2009 Macquarie undertook a $540 million capital raising via an institutional private placement, and in June 2009 completed a $669 million share purchase plan. As a result of these capital initiatives and combined with a decrease in profit attributable to ordinary equity holders, return on equity for the six months to 30 September 2009 was 9.6 percent, down from 13.9 percent for the prior corresponding period.

Total operating income for the half-year was $3,105 million, a 5 percent increase on the prior corresponding period's operating income of $2,970 million. The main drivers of this change were stronger performances from Fixed Income, Currencies and Commodities and the Cash Equities business in Macquarie Securities, combined with an overall reduction in the level of impairments, write-downs and equity accounted losses.

Directors' Report
for the half-year ended 30 September 2009 continued

Total operating expenses for the half-year were $2,573 million, an increase of 15 percent from $2,243 million in the prior corresponding period largely driven by increased employment costs, which also resulted in an increase to the compensation ratio from 40.1 percent in the prior corresponding period to 45.2 percent for the six months to 30 September 2009. The effective tax rate for the half-year ended 30 September 2009 was 7.0%, up from 1.7% for the year ended 31 March 2009.

Events Occurring After Balance Sheet Date

There were no material events subsequent to 30 September 2009 that have not been reflected in the financial statements.

Interim Dividend

The Directors have resolved to pay an interim dividend for the half-year ended 30 September 2009 of $0.86 per the number of fully paid ordinary MGL shares on issue at 13 November 2009. The dividend will be unfranked.

Auditor's Independence Declaration

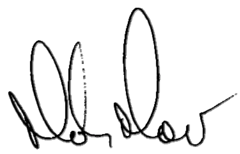
A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 3.

Rounding of Amounts

In accordance with Australian Securities and Investments Commission Class Order 98/100 (as amended), amounts in the Directors' report and the half-year financial report have been rounded off to the nearest million dollars unless otherwise indicated.

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

David S Clarke, AO
Non-Executive Director and
Chairman



Nicholas Moore
Managing Director and
Chief Executive Officer

Sydney
29 October 2009

Auditor's independence declaration

for the half-year ended 30 September 2009

PRICEWATERHOUSECOOPERS

As lead auditor for the review of Macquarie Group Limited for the half-year ended 30 September 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Macquarie Group Limited and the entities it controlled during the period.

DH Armstrong
Partner
PricewaterhouseCoopers

Sydney
29 October 2009

Consolidated income statement
for the half-year ended 30 September 2009

	Notes	**Half-year to 30 Sep 2009 $m**	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Interest and similar income		**2,155**	2,826	3,594
Interest expense and similar charges		**(1,730)**	(2,408)	(3,074)
Net interest income	2	**425**	418	520
Fee and commission income	2	**1,882**	1,890	2,155
Net trading income	2	**633**	435	722
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	2	**(197)**	(44)	118
Other operating income and charges	2	**362**	(143)	(545)
Net operating income		**3,105**	2,556	2,970
Employment expenses	2	**(1,509)**	(1,094)	(1,265)
Brokerage and commission expenses	2	**(329)**	(374)	(311)
Occupancy expenses	2	**(251)**	(241)	(152)
Non-salary technology expenses	2	**(125)**	(152)	(111)
Other operating expenses	2	**(359)**	(433)	(404)
Total operating expenses		**(2,573)**	(2,294)	(2,243)
Operating profit before income tax		**532**	262	727
Income tax (expense)/benefit	4	**(36)**	64	(79)
Profit from ordinary activities after income tax		**496**	326	648
Distributions paid or provided on:				
Macquarie Income Preferred Securities		**(6)**	(22)	(23)
Macquarie Income Securities		**(10)**	(14)	(19)
Other minority interests		**(1)**	(23)	(2)
Profit attributable to minority interests		**(17)**	(59)	(44)
Profit attributable to ordinary equity holders of Macquarie Group Limited		**479**	267	604
		Cents per share	Cents per share	Cents per share
Basic earnings per share	6	**150.2**	94.1	216.6
Diluted earnings per share	6	**149.6**	94.1	215.2

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

Consolidated statement of comprehensive income
for the half-year ended 30 September 2009

	Notes	**Half-year to 30 Sep 2009 $m**	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Profit from ordinary activities after income tax for the period		**496**	326	648
Other comprehensive income/(expense):				
Available for sale investments, net of tax	17	**181**	(65)	(161)
Cash flow hedges, net of tax	17	**137**	(179)	(72)
Share of other comprehensive (expense)/income of associates and joint ventures	17	**(2)**	(68)	10
Exchange differences on translation of foreign operations		**(42)**	(9)	30
Total other comprehensive income/(expense) for the period		**274**	(321)	(193)
Total comprehensive income for the period		**770**	5	455
Total comprehensive income for the period is attributable to:				
Ordinary equity holders of Macquarie Group Limited		**769**	(62)	383
Macquarie Income Preferred Securities holders		**6**	22	51
Macquarie Income Securities holders		**10**	14	19
Other minority interests		**(15)**	31	2
Total comprehensive income for the period		**770**	5	455

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

Consolidated statement of financial position
as at 30 September 2009

	Notes	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Assets				
Cash and balances with central banks		**3**	141	225
Due from banks		**8,936**	12,271	13,441
Cash collateral on securities borrowed and reverse repurchase agreements		**4,493**	5,096	14,690
Trading portfolio assets	7	**14,502**	9,260	17,059
Loan assets held at amortised cost	8	**42,504**	44,751	51,783
Other financial assets at fair value through profit or loss		**5,249**	7,910	3,974
Derivative financial instruments – positive values		**21,441**	27,428	22,508
Other assets		**13,791**	10,640	11,413
Investment securities available for sale	10	**23,152**	18,123	18,025
Intangible assets		**715**	759	566
Life investment contracts and other unit holder investment assets		**5,066**	4,314	5,645
Interests in associates and joint ventures accounted for using the equity method	11	**4,931**	6,123	5,921
Property, plant and equipment		**647**	605	433
Deferred income tax assets		**1,401**	1,186	825
Non-current assets and assets of disposal groups classified as held for sale	12	**100**	537	927
Total assets		**146,931**	149,144	167,435
Liabilities				
Due to banks		**10,284**	11,858	11,349
Cash collateral on securities lent and repurchase agreements		**5,328**	3,953	14,664
Trading portfolio liabilities	13	**7,368**	2,161	11,079
Derivative financial instruments – negative values		**21,552**	27,371	24,430
Deposits		**20,692**	21,868	16,955
Debt issued at amortised cost	14	**44,896**	48,270	52,485
Other financial liabilities at fair value through profit or loss	15	**5,037**	6,203	6,263
Other liabilities		**12,871**	10,342	11,081
Current tax liabilities		**103**	187	159
Life investment contracts and other unit holder liabilities		**5,062**	4,312	5,634
Provisions		**184**	189	211
Deferred income tax liabilities		**210**	4	40
Liabilities of disposal groups classified as held for sale	12	**-**	328	153
Total liabilities excluding loan capital		**133,587**	137,046	154,503
Loan capital				
Macquarie Convertible Preference Securities		**591**	591	591
Subordinated debt at amortised cost		**1,011**	1,496	1,413
Subordinated debt at fair value through profit or loss		**522**	451	647
Total loan capital		**2,124**	2,538	2,651
Total liabilities		**135,711**	139,584	157,154
Net assets		**11,220**	9,560	10,281

	Notes	**As at 30 Sep 2009 $m**	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Equity				
Contributed equity				
Ordinary share capital	16	**6,267**	4,906	4,832
Treasury shares	16	**(2)**	(2)	(2)
Exchangeable shares	16	**159**	116	122
Reserves	17	**276**	17	283
Retained earnings	17	**3,984**	3,627	3,770
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited		**10,684**	8,664	9,005
Minority interests				
Macquarie Income Preferred Securities	17	**74**	398	780
Macquarie Income Securities	17	**391**	391	391
Other minority interests	17	**71**	107	105
Total equity		**11,220**	9,560	10,281

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

Consolidated statement of changes in equity
for the half-year ended 30 September 2009

	Notes	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Total equity at the beginning of the period		**9,560**	10,281	10,061
Total comprehensive income for the period		**770**	5	455
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs		**1,344**	73	282
Dividends paid	5	**(122)**	(410)	(552)
Minority interests:				
(Decrease)/increase in equity		**(20)**	(6)	16
Financing of Macquarie Income Preferred Securities		**(396)**	(382)	-
Distributions paid or provided		**(17)**	(59)	(44)
Other equity movements:				
Net movement on exchangeable shares	16	**43**	(6)	(11)
Share based payments	17	**58**	64	64
Net sale of treasury shares		**-**	-	10
Total equity at the end of the period		**11,220**	9,560	10,281

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

Consolidated statement of cash flows
for the half-year ended 30 September 2009

	Notes	**Half-year to 30 Sep 2009 $m**	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Cash flows from operating activities				
Interest received		**2,028**	2,973	3,104
Interest and other costs of finance paid		**(1,842)**	(2,564)	(2,926)
Dividends and distributions received		**283**	307	261
Fees and other non-interest income received		**2,189**	2,266	2,438
Fees and commissions paid		**(339)**	(474)	(268)
Net receipts from/(payments) for trading portfolio assets and other financial assets/liabilities		**2,646**	(4,438)	8,941
Payments to suppliers		**(462)**	(894)	(1,195)
Employment expenses paid		**(1,703)**	(1,334)	(2,821)
Income tax paid		**(157)**	(162)	(171)
Life investment contract (expenses)/income		**(77)**	42	223
Life investment contract premiums received and other unit holder contributions		**1,149**	1,300	2,445
Life investment contract payments		**(1,315)**	(2,276)	(1,925)
Non-current assets and assets of disposal groups classified as held for sale – net receipts from operations		**-**	263	2
Net loan assets repaid		**3,025**	3,103	450
Recovery of loans previously written-off		**11**	7	3
Net (decrease)/increase in amounts due to other financial institutions, deposits and other borrowings		**(6,854)**	1,123	(2,678)
Net cash flows (used in)/from operating activities	18	**(1,418)**	(758)	5,883
Cash flows from investing activities				
Net (payments for)/receipts from financial assets available for sale and at fair value through profit or loss		**(6,274)**	(4,143)	317
Payments for interests in associates		**(398)**	(380)	(1,031)
Proceeds from the disposal of associates		**119**	172	272
Payments for the acquisition of assets and disposal groups classified as held for sale, net of cash acquired		**-**	(94)	(9)
Proceeds from the disposal of non-current assets and disposal groups classified as held for sale, net of cash disposed		**9**	563	182
Net cash (payments for)/inflow from the acquisition of subsidiaries and businesses, excluding disposal groups, net of cash acquired		**(13)**	79	(14)
Proceeds from the disposal of subsidiaries and businesses, excluding disposal groups, net of cash deconsolidated		**342**	3,354	-
Payments for life investment contracts and other unit holder investment assets		**(3,724)**	(2,201)	(4,749)
Proceeds from the disposal of life investment contracts and other unit holder investment assets		**3,978**	3,186	4,022
Payments for property, plant and equipment		**(170)**	(173)	(126)
Proceeds from the disposal of property, plant and equipment		**1**	-	33
Net cash flows (used in)/from investing activities		**(6,130)**	363	(1,103)

Consolidated statement of cash flows
for the half-year ended 30 September 2009 continued

	Notes	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Cash flows from financing activities				
Proceeds from the issue of ordinary shares		**1,307**	2	114
(Payments to)/proceeds from other minority interests		**(234)**	(362)	14
Repayment of subordinated debt		**(452)**	(10)	(225)
Issue of Macquarie Convertible Preference Securities		**-**	-	600
Payment of issue costs on Macquarie Convertible Preference Securities		**-**	-	(9)
Dividends and distributions paid		**(123)**	(393)	(436)
Net cash flows from/(used in) financing activities		**498**	(763)	58
Net (decrease)/increase in cash and cash equivalents		**(7,050)**	(1,158)	4,838
Cash and cash equivalents at the beginning of the period		**24,495**	25,653	20,815
Cash and cash equivalents at the end of the period	18	**17,445**	24,495	25,653

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

Note 1

Basis of preparation

This general purpose financial report for the half-year reporting period ended 30 September 2009 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This half-year financial report comprises the consolidated financial report of Macquarie Group Limited and the entities it controlled at the end of, or during, the period (together, "the consolidated entity").

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 31 March 2009 and any public announcements made by MGL during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated entity is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 (as amended), relating to the rounding off of amounts in the financial report for a financial year or half-year. Amounts in the Directors' report and the half-year financial report have been rounded in accordance with that Class Order to the nearest million 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 MGL for the year ended 31 March 2009. Certain comparatives have been restated for consistency in presentation at 30 September 2009.

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Note 2			
Profit for the period			
Net interest income			
Interest and similar income received/receivable	**2,155**	2,826	3,594
Interest expense and similar charges paid/payable	**(1,730)**	(2,408)	(3,074)
Net interest income	**425**	418	520
Fee and commission income			
Base fees	**442**	467	454
Performance fees	**52**	15	219
Mergers and acquisitions, advisory and underwriting fees	**596**	615	614
Brokerage & commissions	**546**	444	593
Other fee and commission income	**233**	311	258
Income from life investment contracts and other unit holder investment assets	**13**	38	17
Total fee and commission income	**1,882**	1,890	2,155
Net trading income[1]			
Equities	**407**	(219)	363
Commodities	**353**	405	178
Foreign exchange products	**108**	(2)	134
Interest rate products	**(235)**	251	47
Net trading income	**633**	435	722
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	**(197)**	(44)	118

(1) Included in net trading income are fair value gains of $66 million (half-year to 31 March 2009: $39 million; half-year to 30 September 2008: $25 million) relating to financial assets and financial liabilities designated as held at fair value through profit or loss. This includes $320 million loss (half-year to 31 March 2009: $256 million gain; half-year to 30 September 2008: $18 million gain) as a result of changes in own credit spread on issued debt and subordinated debt carried at fair value. Fair value changes relating to derivatives are also reported in net trading income which partially offsets the fair value changes relating to the financial assets and financial liabilities designated at fair value. This also includes fair value changes on derivatives used to hedge the consolidated entity's economic interest rate risk where hedge accounting requirements are not met.

Note 2

Profit for the period continued

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Other operating income and charges			
Net gains on sale of investment securities available for sale	**35**	18	125
Impairment charge on investment securities available for sale	**(69)**	(168)	(138)
Net gains on sale of associates (including associates held for sale) and joint ventures	**49**	18	63
Impairment charge on investments in associates (including associates held for sale) and joint ventures	**(359)**	(168)	(546)
Net income from disposal groups held for sale	**-**	71	20
Impairment charge on disposal groups held for sale[1]	**-**	5	(197)
Gain on acquiring, disposing and change in ownership interest in subsidiaries and businesses held for sale	**260**	263	60
Impairment charge on non-financial assets	**(43)**	(75)	-
Sale of management rights[2]	**345**	-	-
Gain on repurchase of subordinated debt	**55**	-	-
Net operating lease income[3]	**76**	109	74
Dividends/distributions received/receivable			
Investment securities available for sale	**21**	12	37
Write back of/(provision for) collective allowance for credit losses during the period (note 8)	**3**	(95)	5
Specific provisions:			
Loan assets provided for during the period (note 8)	**(105)**	(209)	(135)
Other receivables provided for during the period	**(16)**	(19)	(21)
Recovery of loans previously provided for (note 8)	**8**	13	4
Recovery of other receivables previously provided for	**5**	-	-
Loan losses written-off	**(37)**	(37)	(17)
Recovery of loans previously written-off	**11**	7	3
Other income	**123**	112	118
Total other operating income and charges	**362**	(143)	(545)
Net operating income	**3,105**	2,556	2,970

(1) Impairment charge arising from the reclassification of the Italian mortgages business as a disposal group held for sale, therefore measured at the lesser of cost and fair value less disposal costs. Including the impairment, the business incurred an operating loss of $238 million for the half-year to 30 September 2008.

(2) Sale of management rights to Macquarie Airports as part of the internalisation of the management of Macquarie Airports.

(3) Includes rental income of $175 million (half-year to 31 March 2009: $258 million; half-year to 30 September 2008: $208 million) less depreciation of $99 million (half-year to 31 March 2009: $149 million; half-year to 30 September 2008: $134 million) in relation to operating leases where the consolidated entity is the lessor.

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Note 2			
Profit for the period continued			
Employment expenses			
Salary and salary related costs including commissions, superannuation and performance-related profit share	**(1,333)**	(999)	(1,099)
Share based payments	**(58)**	(64)	(64)
Provision for annual leave	**(10)**	1	(20)
Provision for long service leave	**(1)**	5	(7)
Total compensation expenses	**(1,402)**	(1,057)	(1,190)
Other employment expenses including on-costs, staff procurement and staff training	**(107)**	(37)	(75)
Total employment expenses	**(1,509)**	(1,094)	(1,265)
Brokerage and commission expenses			
Brokerage expenses	**(281)**	(227)	(239)
Other fee and commission expenses	**(48)**	(147)	(72)
Total brokerage and commission expenses	**(329)**	(374)	(311)
Occupancy expenses			
Operating lease rentals	**(153)**	(133)	(91)
Depreciation: furniture, fittings and leasehold improvements	**(57)**	(61)	(34)
Other occupancy expenses	**(41)**	(47)	(27)
Total occupancy expenses	**(251)**	(241)	(152)
Non-salary technology expenses			
Information services	**(60)**	(69)	(52)
Depreciation: computer equipment	**(26)**	(40)	(20)
Other non-salary technology expenses	**(39)**	(43)	(39)
Total non-salary technology expenses	**(125)**	(152)	(111)
Other operating expenses			
Professional fees	**(116)**	(178)	(123)
Auditor's remuneration	**(12)**	(13)	(11)
Travel and entertainment expenses	**(68)**	(102)	(102)
Advertising and promotional expenses	**(18)**	(24)	(21)
Communication expenses	**(20)**	(21)	(22)
Depreciation: communication equipment	**(4)**	-	(4)
Other expenses	**(121)**	(95)	(121)
Total other operating expenses	**(359)**	(433)	(404)
Total operating expenses	**(2,573)**	(2,294)	(2,243)

Note 3

Segment reporting

(i) Operating segments

For internal reporting and risk management purposes, the consolidated entity is divided into five operating groups, two operating divisions and a corporate group. These segments have been set up based on the differences in core products and services offered.

Macquarie Securities Group includes equity-linked investments, trading products, risk management services, equity finance, arbitrage trading and synthetic products as well as a full service institutional cash equities broker in the Asia-Pacific region and specialised in the rest of the world. It provides an Equity Capital Markets service through a joint venture with Macquarie Capital Advisers.

Macquarie Capital includes Macquarie Group's corporate advisory, equity underwriting and specialised funds management businesses (including infrastructure and real estate funds). The Group provides a depth of services including specialist capabilities in: mergers and acquisitions, takeovers and corporate restructuring advice; equity capital markets; equity and debt capital management raising; specialised funds management; debt structuring and distribution; private equity placements; and principal products.

Macquarie Funds Group is a full service fund manager offering a diverse range of products including managed funds across a wide range of asset classes, funds-based structured products, hedge funds, funds of funds and responsible entity and back-office services.

Fixed Income, Currencies and Commodities (formerly Treasury and Commodities Group) conducts trading, financing and related activities in a broad range of financial and commodity markets globally with a focus on client service provision and risk management services. Underlying services encompass foreign exchange, debt, US credit and futures, as well as dealing in agriculture, environmental, freight, energy and metals markets and offering specialist services for emerging markets.

Corporate and Asset Finance provides innovative and traditional capital, finance and related services to its clients through tailored debt and finance solutions. It offers corporate debt finance, specialised equipment leasing, asset lifecycle services and equipment trading and remarketing services in Australia and selected international markets.

Real Estate Banking Division encompasses listed and unlisted real estate funds management, asset management, real estate investment, advisory, development management and real estate project and development financing.

Banking and Financial Services Group is the primary relationship manager for Macquarie's retail client base. The Group brings together Macquarie's retail banking and financial services businesses, providing a diverse range of wealth management products and services to financial advisers, stockbrokers, mortgage brokers, professional service industries and the end consumer.

Corporate includes the Group Treasury division, head office and central support functions. Corporate includes unallocated head office costs, employment related costs, earnings on capital, non-trading derivative volatility, income tax expense and expenses attributable to minority interests. Corporate is not considered an operating group.

Any transfers between segments are determined on an arm's length basis and eliminate on consolidation.

Segment information has been prepared in conformity with the consolidated entity's segment accounting policy. In accordance with AASB 8 *Operating Segments*, comparative information has been restated to reflect current reportable operating segments.

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

Note 3
Segment reporting continued

(i) **Operating segments** continued

The following is an analysis of the consolidated entity's revenue and results by reportable operating segment for the period:

	Macquarie Securities Group $m	Macquarie Capital $m	Macquarie Funds Group $m	Fixed Income, Currencies & Commodities $m
Revenues from external customers	**803**	**1,605**	**711**	**937**
Inter-segmental (expense)/revenue[1]	**74**	**(185)**	**(6)**	**(51)**
Interest revenue	**122**	**41**	**83**	**325**
Interest expense	**(96)**	**(30)**	**(20)**	**(194)**
Depreciation and amortisation	**(7)**	**(35)**	**(3)**	**(33)**
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	**1**	**(184)**	**7**	**3**
Net operating expense from non-current assets and disposal groups held for sale	**-**	**-**	**-**	**-**
Reportable segment profit/(loss)	**319**	**331**	**38**	**368**
Reportable segment assets	**23,899**	**7,819**	**7,719**	**38,741**
Reportable segment liabilities	**(19,289)**	**(1,687)**	**(6,879)**	**(30,518)**
Revenues from external customers	413	1,094	431	981
Inter-segmental (expense)/revenue[1]	182	(208)	(26)	(73)
Interest revenue	183	62	112	344
Interest expense	(203)	(35)	(10)	(160)
Depreciation and amortisation	(9)	(35)	(2)	(5)
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	-	(46)	(17)	61
Net operating expense from non-current assets and disposal groups held for sale	-	73	-	(2)
Reportable segment profit/(loss)	(168)	(48)	10	224
Reportable segment assets	18,145	9,104	8,832	45,994
Reportable segment liabilities	(14,919)	(1,781)	(7,314)	(34,324)
Revenues from external customers	1,198	1,435	295	921
Inter-segmental (expense)/revenue[1]	(75)	(114)	(10)	(38)
Interest revenue	362	80	100	438
Interest expense	(173)	(18)	(32)	(379)
Depreciation and amortisation	(6)	(20)	(1)	(4)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	3	56	5	8
Net operating expense from non-current assets and disposal groups held for sale	-	21	-	(1)
Reportable segment profit/(loss)	443	305	35	285
Reportable segment assets	35,546	8,677	10,848	37,480
Reportable segment liabilities	(29,683)	(1,476)	(8,531)	(31,528)

[1] Internal reporting systems do not enable the separation of inter-segmental revenues and expenses. The net position is disclosed above. The key inter-segmental item is internal interest and funding costs charged to businesses for funding of their business net assets.

	Corporate and Asset Finance	Real Estate Banking Division	Banking and Financial Services Group	Corporate	Total
	$m	$m	$m	$m	$m
					Half-year to 30 September 2009
	462	**126**	**1,101**	**408**	**6,153**
	(123)	**(56)**	**18**	**329**	**-**
	412	**43**	**753**	**376**	**2,155**
	(89)	**(3)**	**(499)**	**(799)**	**(1,730)**
	(60)	**(1)**	**(11)**	**(45)**	**(195)**
	1	**(21)**	**-**	**(4)**	**(197)**
	-	**-**	**-**	**-**	**-**
	127	**(56)**	**137**	**(785)**	**479**
	12,221	**2,522**	**29,571**	**24,439**	**146,931**
	(4,771)	**(134)**	**(30,982)**	**(41,451)**	**(135,711)**
					Half-year to 31 March 2009
	361	184	1,449	987	5,900
	(85)	(96)	(137)	443	-
	350	106	1,089	580	2,826
	(120)	(2)	(742)	(1,136)	(2,408)
	(138)	(1)	(14)	(42)	(246)
	(1)	(40)	(4)	3	(44)
	-	-	-	-	71
	12	(221)	75	383	267
	9,078	3,061	32,080	22,850	149,144
	(4,944)	(190)	(29,257)	(46,855)	(139,584)
					Half-year to 30 September 2008
	372	115	1,994	688	7,018
	(109)	(115)	(281)	742	-
	302	67	1,604	641	3,594
	(132)	(4)	(1,160)	(1,176)	(3,074)
	(127)	(1)	(2)	(34)	(195)
	-	45	(3)	4	118
	-	-	-	-	20
	54	(141)	(174)	(203)	604
	8,223	3,621	38,890	24,150	167,435
	(4,520)	(199)	(33,188)	(48,029)	(157,154)

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

Note 3
Segment reporting continued

(ii) Products and services

For the purposes of preparing a segment report based on products and services, the activities of the consolidated 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, currencies, commodities and derivative products;

— **Capital Markets:** corporate and structured 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	Capital Markets $m	Lending $m	Total $m
					Half-year to 30 September 2009
Revenues from external customers	**1,862**	**1,735**	**1,222**	**1,334**	**6,153**
					Half-year to 31 March 2009
Revenues from external customers	1,670	1,860	823	1,547	5,900
					Half-year to 30 September 2008
Revenues from external customers	1,099	2,439	1,165	2,315	7,018

(iii) Geographical areas

Geographical segments have been determined based upon where the transactions have been recorded. The operations of the consolidated entity are headquartered in Australia.

	Revenues from external customers $m	Non-current assets[(1)] $m
		Half-year to 30 September 2009
Australia	**3,501**	**300**
Asia Pacific	**769**	**92**
Europe, Middle East and Africa	**1,086**	**191**
Americas	**797**	**779**
Total	**6,153**	**1,362**
		Half-year to 31 March 2009
Australia	2,492	240
Asia Pacific	710	108
Europe, Middle East and Africa	1,625	93
Americas	1,073	923
Total	5,900	1,364

Note 3

Segment reporting continued

(iii) Geographical areas continued

	Revenues from external customers $m	Non-current assets[1] $m
	Half-year to 30 September 2008	
Australia	4,638	224
Asia Pacific	554	87
Europe, Middle East and Africa	887	66
Americas	939	622
Total	7,018	999

(1) Non-current assets consist of intangible assets and property, plant and equipment.

(iv) Major customers

Macquarie Group Limited does not rely on any major customer.

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m

Note 4

Income tax (expense)/benefit

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
(i) Numerical reconciliation of income tax (expense)/benefit to prima facie tax payable			
Prima facie income tax expense on operating profit[1]	**(160)**	(79)	(218)
Tax effect of amounts which are (non-deductible)/non-assessable in calculating taxable income:			
Rate differential on offshore income	**121**	124	118
Distribution provided on Macquarie Income Preferred Securities and related distributions	**2**	6	7
Non-deductible share based payments expense	**(19)**	(19)	(19)
Other items	**20**	32	33
Total income tax (expense)/benefit	**(36)**	64	(79)
(ii) Tax (expense)/benefit relating to items of other comprehensive income			
Available for sale investments	**(34)**	28	24
Cash flow hedges	**(55)**	80	28
Share of other comprehensive income of associates and joint ventures	**4**	13	12
Total tax (expense)/benefit relating to items of other comprehensive income	**(85)**	121	64

(1) Prima facie income tax on operating profit is calculated at the rate of 30 percent (half-year to 31 March 2009: 30 percent; half-year to 30 September 2008: 30 percent). The Australian tax consolidated group has a tax year ending on 30 September.

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m

Note 5
Dividends paid and distributions paid or provided

(i) Dividends paid

Ordinary share capital			
Interim dividend paid (half-year to 31 March 2009: $1.45 per share[1])	**-**	410	-
Final dividend paid ($0.40[1] per share; half-year to 30 September 2008: $2.00 per share)	**122**	-	552
Total dividends paid (note 17)	**122**	410	552

(1) Dividend paid by the consolidated entity includes $1 million (half-year to 31 March 2009: $2 million; half-year to 30 September 2008: $3 million) of dividends paid to holders of the exchangeable shares as described in Note 16 - Contributed equity.

The final dividend was 60 percent franked at the 30 percent corporate tax rate (half-year to 30 September 2008: 100 percent franked at the 30 percent corporate tax rate). The interim dividend paid during the half-year to 31 March 2009 was 80 percent franked at the 30 percent corporate tax rate. The dividends paid to the holders of exchangeable shares were not franked.

The Company'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, at a 2.5 percent discount to the prevailing market value. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Details of fully paid ordinary shares issued pursuant to the DRP are included in Note 16.

(ii) Dividends not recognised at the end of the period

Since the end of the period, the Directors have resolved to pay an interim dividend for the half-year ended 30 September 2009 of $0.86 per the number of fully paid ordinary Macquarie Group Limited shares on issue on 13 November 2009. The dividend will be 100 percent unfranked and is expected to be paid on 16 December 2009.

		Dividend per ordinary share	
Cash dividends per ordinary share (distribution of current year profits)	**$0.86**	$0.40	$1.45

(iii) Distributions paid or provided

Macquarie Income Preferred Securities			
Distributions paid (net of distributions previously provided)	**4**	10	1
Distributions provided	**2**	12	22
Total distributions paid or provided	**6**	22	23

The Macquarie Income Preferred Securities (MIPS) represent the minority interests of a subsidiary. Accordingly, the distributions paid/provided in respect of the MIPS are recorded as movements in minority interests, as disclosed in Note 17 - Reserves, retained earnings and minority interests. Macquarie Bank Limited (MBL), a subsidiary, can redirect the payments of distributions under the convertible debentures to be paid to itself. For each debenture 500 MBL preference shares may be substituted at MBL's discretion at any time, in certain circumstances (to meet capital requirements), or on maturity. Refer to Note 17 - Reserves, retained earnings and minority interests for further details on these instruments.

Macquarie Income Securities			
Distributions paid (net of distributions previously provided)	**6**	9	11
Distributions provided	**4**	5	8
Total distributions paid or provided	**10**	14	19

The Macquarie Income Securities (MIS) represent the minority interests of a subsidiary. Accordingly, the distributions paid/provided in respect of the MIS are recorded as movements in minority interests, as disclosed in Note 17 – Reserves, retained earnings and minority interests. No dividends are payable under the preference shares until MBL exercises its option to receive future payments of interest and principal under the other stapled security. Upon exercise, dividends are payable at the same rate, and subject to similar conditions, as the MIS. Dividends are also subject to MBL Directors' discretion. Refer to Note 17 - Reserves, retained earnings and minority interests for further details on these instruments.

	Half-year to 30 Sep 2009	Half-year to 31 Mar 2009	Half-year to 30 Sep 2008

Note 6

Earnings per share

			Cents per share
Basic earnings per share	**150.2**	94.1	216.6
Diluted earnings per share	**149.6**	94.1	215.2

Reconciliation of earnings used in the calculation of basic and diluted earnings per share	**$m**	$m	$m
Profit from ordinary activities after income tax	**496**	326	648
Profit attributable to minority interests:			
Macquarie Income Preferred Securities	**(6)**	(22)	(23)
Macquarie Income Securities	**(10)**	(14)	(19)
Other minority interests	**(1)**	(23)	(2)
Total earnings used in the calculation of basic earnings per share	**479**	267	604
Add back adjusted interest expense on Macquarie Convertible Preference Securities	**16**	-	-
Total earnings used in the calculation of diluted earnings per share	**495**	267	604

			Number of shares
Total weighted average number of ordinary shares used in the calculation of basic earnings per share	**318,880,002**	283,844,139	278,902,477
Weighted average number of ordinary shares used in the calculation of diluted earnings per share			
Weighted average fully paid ordinary shares	**318,880,002**	283,844,139	278,902,477
Potential ordinary shares:			
Weighted average options	**594,180**	1,127	1,803,243
Weighted average retention securities and options	**30,942**	-	-
Macquarie Convertible Preference Securities	**11,396,270**	-	-
Total weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**330,901,394**	283,845,266	280,705,720

Options

Options granted to employees under the Macquarie Group Employee Share Option Plan (MGESOP) are considered to be potential ordinary shares and have been included in the calculation of diluted earnings per share to the extent to which they are dilutive. The issue price, which is equivalent to the fair value of the options granted, and exercise price used in this assessment incorporate both the amounts recognised as an expense up to the balance sheet date as well as the fair value of options yet to be recognised as an expense in the future.

Included in the balance of weighted average options are 159,333 (31 March 2009: 379,687; 30 September 2008: 731,436) options that were converted, lapsed or cancelled during the period. There are a further 45,123,915 (31 March 2009: 48,576,394; 30 September 2008: 51,948,491) options that have not been included in the balance of weighted average options on the basis that their adjusted exercise price was greater than the average market price of the Company's fully paid ordinary shares for the half-year ended 30 September 2009 and consequently, they are not considered to be dilutive.

Exchangeable Shares

The exchangeable shares on issue (refer to Note 16 – Contributed equity) are considered to be ordinary shares and have been included in the determination of basic and diluted earnings per share from their date of issue.

Retention Securities and Options

Retention securities and options are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The fair value of these securities and options are amortised over the vesting period.

Macquarie Convertible Preference Securities

Macquarie Convertible Preference Securities issued on 8 July 2008 have the potential to be ordinary shares and have been included in the determination of diluted earnings per share from their date of issue to the extent to which they are dilutive.

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m

Note 7
Trading portfolio assets

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Trading securities			
Equities			
Listed	**8,551**	3,149	9,738
Unlisted	**30**	43	3,086
Commonwealth government bonds	**2,948**	3,017	765
Corporate bonds	**1,565**	1,117	912
Other government securities	**943**	995	598
Foreign government bonds	**209**	510	740
Certificates of deposit	**77**	174	365
Bank bills	**50**	77	95
Treasury notes	**3**	7	-
Promissory notes	**-**	-	605
Total trading securities	**14,376**	9,089	16,904
Other trading assets			
Commodities	**126**	171	155
Total other trading assets	**126**	171	155
Total trading portfolio assets	**14,502**	9,260	17,059

Note 8
Loan assets held at amortised cost

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Due from clearing houses	**1,851**	1,449	1,952
Due from governments[1]	**138**	144	441
Due from other entities			
Other loans and advances	**37,591**	40,197	45,571
Less specific provisions for impairment	**(387)**	(416)	(231)
	37,204	39,781	45,340
Lease receivables	**3,539**	3,617	4,186
Less specific provisions for impairment	**(12)**	(15)	(5)
Total due from other entities	**40,731**	43,383	49,521
Total gross loan assets	**42,720**	44,976	51,914
Less collective allowance for credit losses	**(216)**	(225)	(131)
Total loan assets held at amortised cost[2]	**42,504**	44,751	51,783

(1) Governments include federal, state and local governments and related enterprises in Australia.

(2) Included within this balance are loans of $18,004 million (31 March 2009: $20,390 million; 30 September 2008: $22,957 million) held by consolidated SPEs which are available as security to noteholders and debt providers.

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m

Note 8

Loan assets held at amortised cost continued

Specific provisions for impairment			
Balance at the beginning of the period	**431**	236	111
Provided for during the period (note 2)	**105**	209	135
Loan assets written-off, previously provided for	**(63)**	(11)	(13)
Recovery of loans previously provided for (note 2)	**(8)**	(13)	(4)
Attributable to foreign currency translation	**(66)**	10	7
Balance at the end of the period	**399**	431	236
Specific provisions as a percentage of total gross loan assets	**0.93%**	0.96%	0.45%

Specific provisions for impairment relate to doubtful loan assets that have been identified.

Collective allowance for credit losses			
Balance at the beginning of the period	**225**	131	128
(Written back)/provided for during the period (note 2)	**(3)**	95	(5)
Attributable to acquisitions during the period	**-**	(1)	8
Attributable to foreign currency translation	**(6)**	-	-
Balance at the end of the period	**216**	225	131

The collective allowance for credit losses is intended to cover losses in the existing overall credit portfolio which are not yet specifically identifiable.

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m

Note 9

Impaired financial assets

Impaired debt investment securities available for sale before impairment charge	**196**	188	304
Less impairment charge	**(166)**	(137)	(114)
Debt investment securities available for sale after impairment charge	**30**	51	190
Impaired loan assets and other financial assets with specific provisions for impairment	**1,256**	1,428	672
Less specific provisions for impairment	**(463)**	(476)	(270)
Loan assets and other financial assets after specific provisions for impairment	**793**	952	402
Total net impaired assets	**823**	1,003	592

Impaired assets have been reported in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and include loan assets (netted with certain derivative liabilities of $31 million (31 March 2009 of $85 million; 30 September 2008 of nil)).

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m

Note 10
Investment securities available for sale

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Equity securities			
Listed	**333**	272	447
Unlisted	**388**	542	353
Debt securities[1][2]	**22,431**	17,309	17,225
Total investment securities available for sale	**23,152**	18,123	18,025

(1) Included within this balance are debt securities of $250 million (31 March 2009: $293 million; 30 September 2008: $377 million) which are recognised as a result of total return swaps which meet the pass through test of AASB 139. The consolidated entity does not have legal title to these assets but has full economic exposure to them.

(2) Includes $4,967 million (31 March 2009: $8,712 million; 30 September 2008: $9,843 million) of Negotiable Certificates of Deposit (NCD) due from financial institutions and $129 million (31 March 2009: $238 million; 30 September 2008: $1,087 million) of bank bills.

Note 11
Interests in associates and joint ventures accounted for using the equity method

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Loans and investments without provisions for impairment	**2,978**	3,852	4,531
Loans and investments with provisions for impairment	**3,267**	3,349	2,187
Less provisions for impairment	**(1,314)**	(1,078)	(797)
Loans and investments at recoverable amount	**1,953**	2,271	1,390
Total interests in associates and joint ventures accounted for using the equity method	**4,931**	6,123	5,921

The fair values of certain interests in material associates and joint ventures, for which there are public quotations, are below their carrying value by $291 million (31 March 2009: $1,011 million; 30 September 2008: $128 million).

Note 11

Interests in associates and joint ventures accounted for using the equity method continued

Summarised information of interests in material associates and joint ventures is as follows:

			Ownership interest		
Name of entity	**Country of incorporation**	**Reporting date**	**As at 30 Sep 2009 %**	As at 31 Mar 2009 %	As at 30 Sep 2008 %
Brisconnections Unit Trusts[a]	Australia	30 June	**43**	-	-
Diversified CMBS Investments Inc.[1][b]	USA	31 March	**57**	57	57
European Directories SA[2][c]	Luxembourg	31 December	**14**	14	14
Macquarie AirFinance Ltd[a]	Bermuda	31 December	**38**	38	34
MAp Airports[2][3][a]	Australia	31 December	**21**	21	21
Macquarie Communications Infrastructure Group[3][a]	Australia	30 June	**-**	19	18
Macquarie CountryWide Trust[3][d]	Australia	30 June	**12**	11	10
Macquarie Diversified Treasury (AA) Fund[3][b]	Australia	30 June	**-**	-	19
Macquarie Energy Holdings LLC[e]	USA	31 December	**49**	49	49
Macquarie European Infrastructure Fund LP[3][a]	UK	31 March	**5**	5	5
Macquarie Goodman Japan Limited[d]	Singapore	31 March	**50**	50	50
Macquarie Infrastructure Group[3][a]	Australia	30 June	**15**	14	13
Macquarie Media Group[2][f]	Australia	30 June	**26**	22	22
Macquarie Office Trust[3][d]	Australia	30 June	**14**	14	7
MAIP International Holdings Ltd[a]	Bermuda	31 December	**25**	25	25
MEO Holdings Limited[4][5][g]	Bermuda	30 June	**59**	59	59
MGPA Limited[4][d]	Bermuda	30 June	**56**	56	49
Redford Australian Investment Trust[a]	Australia	31 December	**29**	27	27

(1) Voting rights for this investment are not proportional to the ownership interest. The consolidated entity has joint control because neither the consolidated entity nor its joint investor has control in their own right.

(2) Significant influence arises due to the consolidated entity's voting power and board representation.

(3) The consolidated entity has or had significant influence due to its fiduciary relationship as manager of these entities.

(4) The consolidated entity has joint control because neither the consolidated entity nor its joint investor has control in their own right.

(5) The investment was reclassified from associates held for sale during the half-year ended 31 March 2009.

(a) Infrastructure
(b) Funds management and investing
(c) Directories business
(d) Property development / management entity
(e) Oil and gas services
(f) Media, television, gaming and internet investments
(g) Metals, mining & energy

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Note 12			
Non-current assets and disposal groups classified as held for sale			
Non-current assets and assets of disposal groups classified as held for sale			
Associates	**45**	35	606
Other non-current assets	**55**	56	55
Assets of disposal groups classified as held for sale[1]	**-**	446	266
Total non-current assets and assets of disposal groups classified as held for sale	**100**	537	927
Liabilities of disposal groups classified as held for sale			
Total liabilities of disposal groups classified as held for sale[1]	**-**	328	153

(1) The balance as at 31 March 2009 represents assets and liabilities of Macquarie International Investments Holdings L.P. & Cies S.E.N.C.
The balance as at 30 September 2008 represents Taurus Aerospace Group Inc.

All of the above non-current assets and assets/liabilities of disposal groups classified as held for sale are expected to be disposed of by way of sale to a Macquarie managed fund, trade sale or sale to other investors within twelve months of being classified as held for sale, unless events or circumstances occur that are beyond the control of the consolidated entity, and the consolidated entity remains committed to its plan to sell the assets.

Summarised information of material associates and joint ventures classified as held for sale is as follows:

			Ownership interest		
Name of entity	**Country of incorporation**	**Reporting date**	**As at 30 Sep 2009 %**	As at 31 Mar 2009 %	As at 30 Sep 2008 %
US Senior Living Trust[a]	USA	31 December	**50**	50	50
Macquarie Prime REIT[b]	Singapore	31 December	**-**	-	26
MEO Holdings Limited[1][2][c]	Bermuda	30 June	**-**	-	59
New World Gaming Partners Limited[1][d]	Canada	31 December	**-**	-	31

All associates and joint ventures classified as held for sale are unlisted companies.

Voting power is equivalent to ownership interest, unless otherwise stated.

(1) The consolidated entity's interest in this entity was reclassified from held for sale to interests in associates and joint ventures during the half-year ended 31 March 2009.

(2) The consolidated entity has joint control because neither the consolidated entity nor its joint investor has control in their own right.

(a) Retirement homes
(b) Property development / management entity
(c) Offshore marine support operations
(d) Gambling infrastructure

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m

Note 13

Trading portfolio liabilities

Equities			
Listed	**6,875**	2,059	7,642
Unlisted	**-**	-	1,093
Commonwealth government securities	**305**	78	2,088
Other government securities	**137**	12	201
Corporate securities	**51**	12	55
Total trading portfolio liabilities	**7,368**	2,161	11,079

Note 14

Debt issued at amortised cost

Debt issued at amortised cost[1]	**44,896**	48,270	52,485
Total debt issued at amortised cost	**44,896**	48,270	52,485

(1) Included in this balance are amounts payable to SPE noteholders of $17,004 million (31 March 2009: $20,131 million; 30 September 2008: $22,538 million).

The consolidated entity has not had any defaults of principal, interest or other breaches with respect to its debt during the periods reported.

Note 15

Other financial liabilities at fair value through profit or loss

Equity linked notes	**2,891**	3,938	6,102
Debt issued at fair value	**2,146**	2,265	161
Total other financial liabilities at fair value through profit or loss	**5,037**	6,203	6,263

Reconciliation of debt issued at amortised cost and other financial liabilities at fair value through profit or loss by major currency:

Australian dollars	**21,154**	25,260	37,747
United States dollars	**16,978**	16,416	5,173
Canadian dollars	**4,189**	3,607	3,240
Euro	**2,640**	4,081	6,574
South African rand	**2,007**	2,212	64
Japanese yen	**1,471**	683	1,113
Hong Kong dollars	**526**	626	813
Singapore dollars	**423**	492	743
Great British pounds	**350**	905	2,762
Other currencies	**195**	191	519
Total by currency	**49,933**	54,473	58,748

The consolidated entity's primary sources of domestic and international debt funding are its multi-currency, multi-jurisdictional Debt Instrument Program and domestic NCD issuances. Securities can be issued for terms varying from one day to 30 years.

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

Note 16
Contributed equity

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Ordinary share capital			
Opening balance of 283,438,000 (1 October 2008: 281,016,368; 1 April 2008: 274,570,840) fully paid ordinary shares	**4,906**	4,832	4,534
On-market purchase of 147,367 shares pursuant to the Macquarie Group Staff Share Acquisition Plan (MGSSAP) within the range of $47.52 and $50.96 per share between the dates of 9 July 2008 and 24 July 2008	**-**	-	(7)
Allocation of 147,367 shares pursuant to the MGSSAP within the range of $47.52 and $50.96 per share between the dates of 9 July 2008 and 24 July 2008	**-**	-	7
On-market purchase of 14,541 shares pursuant to the Macquarie Group Non-Executive Director Share Acquisition Plan (NEDSAP) within the range of $28.35 and $50.96 per share between the dates of 24 July 2008 and 30 July 2009	**-**	-	-
Allocation of 14,541 shares pursuant to the NEDSAP within the range of $28.35 and $50.96 per share between the dates of 24 July 2008 and 30 July 2009	**-**	-	-
Issue of 640,009 shares pursuant to the MGSSAP within the range of $25.61 and $56.40 per share between the dates of 2 July 2008 and 26 June 2009	**1**	-	34
Issue of 3,175,683 shares (31 March 2009: 6,468; 30 September 2008: 2,631,709) on exercise of options	**106**	1	80
Issue of 48,348 shares on 19 January 2009 pursuant to the Macquarie Group Employee Share Plan (ESP) effectively at $29.36 per share	**-**	1	-
Issue of 3,077,178 shares on 4 July 2008 pursuant to the Macquarie Group Dividend Reinvestment Plan (DRP) at $50.95 per share	**-**	-	157
Issue of 2,287,266 shares on 19 December 2008 pursuant to the DRP at $29.06 per share	**-**	66	-
Issue of 750,811 shares on 3 July 2009 pursuant to the DRP at $33.24 per share	**25**	-	-
Issue of 20,000,000 shares on 8 May 2009 pursuant to an institutional private placement at $27.00 per share	**533**	-	-
Issue of 25,148,146 shares on 5 June 2009 pursuant to the Macquarie Group Share Purchase Plan (SPP) at $26.60 per share	**668**	-	-
Issue of 2,627 shares on 26 June 2009 pursuant to the SPP at $26.60 per share	**-**	-	-
Issue of 138,366 (31 March 2009: 62,960; 30 September 2008: 133,613) shares on retraction of exchangeable shares at $80.30 per share[1]	**11**	5	11
Issue of 2,000 (31 March 2009: 7,000; 30 September 2008: nil) shares for nil consideration pursuant to the retention agreements entered into with key Orion Financial Inc. employees	**-**	-	-
Transfer from share based payments reserve for expensed options that have been exercised	**17**	1	16
Closing balance of 332,683,024 (31 March 2009: 283,438,000; 30 September 2008: 281,016,368) fully paid ordinary shares	**6,267**	4,906	4,832

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Total treasury shares	**(2)**	(2)	(2)

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m

Note 16

Contributed equity continued

Exchangeable shares			
Opening balance of 1,450,584 (1 October 2008: 1,525,891; 1 April 2008: 1,659,504) exchangeable shares	**116**	122	133
Retraction of 138,366 (31 March 2009: 62,960; 30 September 2008: 133,613) exchangeable shares at $80.30 per share, exchangeable to shares in Macquarie Group Limited on a one-for-one basis[1]	**(11)**	(5)	(11)
Issue of 2,036,705 exchangeable shares at $50.80 per share, exchangeable to shares in Macquarie Group Limited on a one-for-one basis[2][3]	**54**	-	-
Issue of 152,472 exchangeable shares with retention conditions at $50.80 per share, exchangeable to shares in Macquarie Group Limited on a one-for-one basis[2]	**-**	-	-
Cancellation of 1,466 (31 March 2009: 12,347; 30 September 2008: nil) exchangeable shares at $80.30 per share[1]	**-**	(1)	-
Closing balance of 3,499,929 (31 March 2009: 1,450,584; 30 September 2008: 1,525,891) exchangeable shares	**159**	116	122

(1) The exchangeable shares were issued by a subsidiary in November 2007 as consideration for the acquisition of Orion Financial Inc. and are classified as equity in accordance with AASB 132 *Financial Instruments: Presentation*. They are eligible to be exchanged on a one-for-one basis for shares in Macquarie Group Limited (subject to staff trading restrictions) or cash at the Company's discretion and will pay dividends equal to Macquarie Group Limited dividends during their legal life. The exchangeable shares will expire in November 2017 and carry no Macquarie Group Limited voting rights.

There are also retention agreements in place with key former Orion employees, under which new Macquarie Group Limited shares may be allocated within five years from the date of acquisition. As at 30 September 2009, the total number of retention options remaining are 216,500.

(2) The exchangeable shares were issued by a subsidiary in August 2009 as consideration for the acquisition of Tristone Capital Global Inc. and are classified as equity in accordance with AASB 132 *Financial Instruments: Presentation*. They are eligible to be exchanged on a one-for-one basis for shares in Macquarie Group Limited (subject to staff trading restrictions) or cash at the Company's discretion and will pay dividends equal to Macquarie Group Limited dividends during their legal life. The exchangeable shares must be exchanged by August 2019 and carry no Macquarie Group Limited voting rights.

There are also retention agreements in place with key former Tristone employees, under which new Macquarie Group Limited shares may be allocated within five years from the date of acquisition. As at 30 September 2009, the total number of retention options remaining are 364,244.

(3) The value of exchangeable shares at reporting date includes a fair value adjustment due to an earn out mechanism. The number of exchangeable shares exercisable by the holders will expand (to a maximum of 4 million shares) or contract, based on the performance of the acquired business against pre-determined financial performance measures until the adjustment date (a date between the second anniversary of closing and no later than 60 days after the second anniversary of closing).

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

Note 17
Reserves, retained earnings and minority interests

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	**(34)**	(17)	(19)
Currency translation differences arising during the period, net of hedge	**(98)**	(17)	2
Balance at the end of the period	**(132)**	(34)	(17)
Available for sale reserve			
Balance at the beginning of the period	**(3)**	62	223
Revaluation movement for the period, net of tax	**184**	(213)	(81)
Transfer to income statement for impairment	**2**	100	18
Transfer to profit on realisation	**(5)**	48	(98)
Balance at the end of the period	**178**	(3)	62
Share based payments reserve			
Balance at the beginning of the period	**338**	275	227
Share based payments expense for the period	**58**	64	64
Transfer to share capital on exercise of expensed options	**(17)**	(1)	(16)
Balance at the end of the period	**379**	338	275
Cash flow hedging reserve			
Balance at the beginning of the period	**(217)**	(38)	34
Revaluation movement for the period, net of tax	**137**	(179)	(72)
Balance at the end of the period	**(80)**	(217)	(38)
Share of reserves of interests in associates and joint ventures accounted for using the equity method			
Balance at the beginning of the period	**(67)**	1	(9)
Share of reserves during the period	**(2)**	(68)	10
Balance at the end of the period	**(69)**	(67)	1
Total reserves at the end of the period	**276**	17	283
Retained earnings			
Balance at the beginning of the period	**3,627**	3,770	3,718
Profit attributable to equity holders of Macquarie Group Limited	**479**	267	604
Dividends paid on ordinary share capital (note 5)	**(122)**	(410)	(552)
Balance at the end of the period	**3,984**	3,627	3,770

Note 17

Reserves, retained earnings and minority interests continued

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Minority interests			
Macquarie Income Preferred Securities[1]			
Proceeds on issue of Macquarie Income Preferred Securities[2]	**107**	894	894
Less issue costs	**(1)**	(10)	(10)
	106	884	884
Less securities financed	**-**	(382)	-
	106	502	884
Current period profit	**6**	22	23
Distribution provided on Macquarie Income Preferred Securities	**(6)**	(22)	(23)
Foreign currency translation reserve	**(32)**	(104)	(104)
Total Macquarie Income Preferred Securities	**74**	398	780
Macquarie Income Securities[3]			
4,000,000 Macquarie Income Securities of $100 each	**400**	400	400
Less transaction costs for original placement	**(9)**	(9)	(9)
Total Macquarie Income Securities	**391**	391	391
Other minority interests			
Ordinary share capital	**38**	57	101
Preference share capital	**5**	5	5
Foreign currency translation reserve	**(8)**	8	-
Accumulated profits/(losses)	**36**	37	(1)
Total other minority interests	**71**	107	105
Total minority interests	**536**	896	1,276

(1) On 22 September 2004, Macquarie Capital Funding LP, a subsidiary of the consolidated entity, issued £350 million of MIPS. MIPS, guaranteed non-cumulative step-up perpetual preferred securities, currently pay a 6.177 percent per annum 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 MGL's discretion. If redemption is not elected on this date, the distribution rate will be reset to 2.35 percent per annum above the then five-year benchmark sterling gilt rate. MIPS may be redeemed on each fifth anniversary thereafter at MGL's discretion. The first coupon was paid on 15 April 2005.

The instruments are reflected in the consolidated entity's financial statements as minority interest, with distribution entitlements being included in minority interest's share of operating profit after income tax.

(2) On 11 September 2009, the various interests in MIPS held by Macquarie Capital Finance (Dubai) Limited were redeemed.

(3) The MIS issued by MBL, were listed for trading on the Australian Securities Exchange on 19 October 1999. These instruments became redeemable (in whole or in part) at MBL's discretion on 19 November 2004. Interest is paid quarterly at a floating rate of BBSW plus 1.7 percent per annum. Payment of interest to holders is subject to certain conditions, including the profitability of MBL. These instruments are perpetual with no conversion rights.

MIS are classified as equity in accordance with AASB 132*: Financial Instruments: Presentation* and reflected in the consolidated entity's financial statements as minority interest, with distribution entitlements being included in minority interests' share of operating profit after income tax.

Distribution policies for these instruments are included in Note 5 to the financial statements.

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

Note 18
Notes to the consolidated statement of cash flows

Reconciliation of cash and cash equivalents

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Cash and cash equivalents at the end of the period as shown in the consolidated statement of cash flows is reconciled to related items in the consolidated statement of financial position as follows:			
Cash and balances with central banks	**3**	141	225
Due from other financial institutions			
Due from banks[1]	**8,893**	12,208	13,263
Trading securities[2]	**8,549**	12,146	12,165
Cash and cash equivalents at the end of the period	**17,445**	24,495	25,653

(1) Includes cash at bank, overnight cash at bank, other loans to banks and amounts due from clearing houses.

(2) Includes certificates of deposit, bank bills and other short-term debt securities.

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities			
Profit from ordinary activities after income tax	**496**	326	648
Adjustments to profit from ordinary activities			
Interest on available for sale financial assets	**(121)**	60	(677)
Depreciation and amortisation	**195**	279	198
Dividends received from associates	**253**	257	215
Fair value changes on financial assets and liabilities at fair value through profit or loss and realised available for sale assets	**189**	(89)	(22)
Gain on acquiring, disposing, and change in ownership interest in subsidiaries and businesses held for sale	**(260)**	(263)	(60)
Impairment charge on financial and non-financial assets	**613**	751	1,045
Loss on disposal of property, plant and equipment	**10**	12	4
Net gains on sale of investment securities available for sale and associates and joint ventures	**(84)**	(36)	(188)
Share based payments expense	**58**	64	64
Share of net losses/(profits) of associates and joint ventures accounted for using the equity method	**197**	44	(118)
Changes in assets and liabilities			
Change in dividends receivable	**9**	37	10
Change in fees and commissions receivable	**(377)**	134	(24)
Change in fees and commissions payable	**(10)**	(100)	43
Change in tax balances	**(121)**	(226)	(92)
Change in provisions for employee entitlements	**5**	(22)	30
Change in loan assets granted	**3,025**	3,103	450
Change in debtors, prepayments, accrued charges and creditors	**863**	(1,048)	(2,577)
Change in financial instruments, foreign exchange and commodities	**872**	(4,122)	8,554
Change in amounts due to other financial institutions, deposits and other borrowings	**(6,974)**	1,055	(2,344)
Change in life investment contract receivables	**(256)**	(974)	724
Net cash flows (used in)/from operating activities	**(1,418)**	(758)	5,883

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m

Note 19

Contingent liabilities and commitments

The following details of contingent liabilities and commitments exclude derivatives.

	As at 30 Sep 2009 $m	As at 31 Mar 2009 $m	As at 30 Sep 2008 $m
Contingent liabilities exist in respect of:			
Guarantees	**177**	253	225
Indemnities	**6**	6	8
Letters of credit	**95**	120	105
Performance related contingents	**144**	101	100
Total contingent liabilities(1)	**422**	480	438
Commitments exist in respect of:			
Undrawn credit facilities	**3,508**	2,771	3,791
Undrawn credit facilities – revocable at any time	**861**	509	1,331
Forward asset purchase	**1,420**	695	1,869
Total commitments(2)	**5,789**	3,975	6,991
Total contingent liabilities and commitments	**6,211**	4,455	7,429

(1) Contingent liabilities exist in respect of claims and potential claims against the consolidated entity. They are reported as the maximum potential liability without considering the value of recovery of assets. Where necessary, appropriate provisions have been made in the financial statements. The Directors do not consider that the outcome of any such claims known to exist at the date of the half-year financial report, either individually or in aggregate, are likely to have a material effect on the results of its operations or its financial position.

(2) Total commitments also represent contingent assets. Such commitments to provide credit may convert to loans and other assets in the ordinary course of business.

Note 20

Fair value of financial assets and liabilities

The methods and significant assumptions that have been applied in determining the fair values of financial instruments in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report of MGL for the year ended 31 March 2009.

There is no significant difference between the fair value of financial assets carried at amortised cost and their carrying values.

The table below summarises the carrying value and fair value of financial liabilities held at amortised cost that have had a significant change in fair value in the interim period:

	As at 30 September 2009		As at 31 March 2009	
	Carrying amount $m	**Fair value $m**	Carrying amount $m	Fair value $m
Liabilities				
Due to banks	**10,284**	**10,118**	11,858	11,004
Debt issued at amortised cost	**44,896**	**45,743**	48,270	47,687
Macquarie Convertible Preference Securities	**591**	**643**	591	553
Subordinated debt at amortised cost	**1,011**	**896**	1,496	725
Total financial liabilities	**56,782**	**57,400**	62,215	59,969

The fair value equivalent of financial assets and liabilities held at amortised cost at 30 September 2008 has not been disclosed on the basis that the fair value was not materially different from the carrying value.

Notes to the consolidated financial statements
for the half-year ended 30 September 2009 continued

Note 21
Acquisitions and disposals of subsidiaries and businesses

Significant entities and businesses acquired or consolidated due to acquisition of control:

Tristone Capital Global Inc.

On 31 August 2009, a subsidiary of MGL acquired a 100 percent interest in Tristone Capital Global Inc., an entity engaged in the business of providing advisory and securities services to the energy sector. In accordance with AASB 3 *Business Combinations*, provisional amounts for the initial accounting for Tristone Capital Global Inc. have been reported in this Financial Report.

Other entities acquired or consolidated due to acquisition of control during the financial period are as follows:

Telbane 2 Pty Limited and BE Geothermal GmbH.

Aggregate details of the above entities and businesses (including disposal groups) acquired or consolidated due to acquisition of control are as follows:

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Fair value of net assets acquired			
Cash, other financial assets and other assets	**119**	471	42
Goodwill and other intangible assets	**62**	30	15
Property, plant and equipment and assets under operating leases	**-**	9	1
Assets of disposal groups classified as held for sale	**-**	682	1
Payables, provisions, borrowings and other liabilities	**(20)**	(416)	(23)
Liabilities of disposal groups classified as held for sale	**-**	(274)	-
Minority interests	**(2)**	-	-
Minority interests in disposal groups classified as held for sale	**-**	(179)	-
Total fair value of net assets acquired	**159**	323	36
Restructure and operating costs – disposal groups classified as held for sale	**-**	(110)	-
Adjusted net assets	**159**	213	36
Purchase consideration			
Cash consideration and costs directly attributable to acquisition	**53**	49	36
Deferred consideration	**55**	74	-
Extinguishment of loan asset	**56**	-	-
Total purchase consideration	**164**	123	36
Net cash (outflow)/inflow			
Cash consideration and costs directly attributable to acquisition	**(53)**	(49)	(36)
Less cash and cash equivalents acquired	**40**	99	31
Net cash (outflow)/inflow	**(13)**	50	(5)

The operating results of these entities have not had a material impact on the results of the consolidated entity.

There are no significant differences between the fair value of net assets acquired and their carrying amounts, other than goodwill and other intangible assets as noted above.

The 31 March 2009 and 30 September 2008 comparatives relate to Macquarie Securities (Thailand) Limited, Chartreuse et Mont Blanc Global Holdings S.C.A. and Constellation Energy being the significant entities acquired or consolidated due to acquisition of control.

Note 21

Acquisitions and disposals of subsidiaries and businesses continued

Significant entities and businesses disposed of or deconsolidated due to loss of control:

Macquarie Communications Infrastructure Management Limited

On 22 July 2009, a subsidiary of MGL disposed of its 100 percent interest in Macquarie Communications Infrastructure Management Limited.

Other entities disposed of or deconsolidated during the financial period are as follows:

Shanghai Chengli Properties Co Ltd, Lachlan Wealth Management Limited, Equinox Investment Holdings Pty Ltd and Macquarie Leisure Management Limited.

Aggregate details of the above entities disposed of or deconsolidated are as follows:

	Half-year to 30 Sep 2009 $m	Half-year to 31 Mar 2009 $m	Half-year to 30 Sep 2008 $m
Carrying value of assets and liabilities disposed of or deconsolidated			
Cash, other financial assets and other assets	**244**	3,521	14
Property, plant and equipment	**-**	4	-
Assets of disposal groups classified as held for sale	**-**	-	80
Payables, provisions, borrowings and other liabilities	**(31)**	(28)	(3)
Liabilities of disposal groups classified as held for sale	**-**	-	(59)
Total carrying value of assets and liabilities disposed of or deconsolidated	**213**	3,497	32
Net cash inflow			
Cash received	**344**	3,361	63
Less:			
Investment retained	**-**	(1)	-
Cash and cash equivalents disposed of or deconsolidated	**(2)**	(6)	(11)
Net cash inflow	**342**	3,354	52

The 31 March 2009 and 30 September 2008 comparatives relate to Longview Oil and Gas, MQ Japan Market Neutral Fund (Cayman Islands), the Italian mortgages business, the margin lending business and Macquarie Infrastructure Opportunities Fund Ltd, being the significant entities and businesses disposed of or deconsolidated due to loss of control.

Note 22

Events occurring after balance sheet date

There were no material events subsequent to 30 September 2009 that have not been reflected in the financial statements.

Directors' declaration
for the half-year ended 30 September 2009

In the Directors' opinion

(a) the financial statements and notes set out on pages 4 to 35 are in accordance with the *Corporations Act 2001*, including:

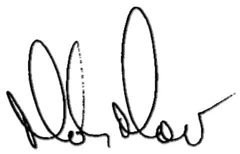
  i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2009 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Macquarie Group 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.

David S Clarke, AO
Non-Executive Director and
Chairman



Nicholas Moore
Managing Director and
Chief Executive Officer

Sydney
29 October 2009

Independent auditor's review report
to the members of Macquarie Group Limited

PRICEWATERHOUSECOOPERS

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Macquarie Group Limited, which comprise the statement of financial position as at 30 September 2009, 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, other selected explanatory notes and the directors' declaration for Macquarie Group Limited (the consolidated entity). The consolidated entity comprises both Macquarie Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

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 consolidated entity's financial position as at 30 September 2009 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 Group Limited, 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

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

Independence

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Macquarie Group Limited (the Company) for the half-year ended 30 September 2009 included on Macquarie's web site. The company's directors are responsible for the integrity of the Macquarie web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

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 Group Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Daniel Armstrong

DH Armstrong
Partner

Sydney
29 October 2009

Ten year history

With the exception of 31 March 2005, the financial information presented below has been based on the Australian standards adopted at each balance sheet date. The financial information for the full years ended 31 March 2005-2009 and half-year ended 30 September 2009 is based on the reported results using the Australian Standards that also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	**First Half 2010**
Income statement ($ million)										
Total income from ordinary activities	1,649	1,822	2,155	2,823	4,197	4,832	7,181	8,248	5,526	**3,105**
Total expenses from ordinary activities	(1,324)	(1,467)	(1,695)	(2,138)	(3,039)	(3,545)	(5,253)	(6,043)	(4,537)	**(2,573)**
Operating profit before income tax	325	355	460	685	1,158	1,287	1,928	2,205	989	**532**
Income tax expense	(53)	(76)	(96)	(161)	(288)	(290)	(377)	(317)	(15)	**(36)**
Profit for the year	272	279	364	524	870	997	1,551	1,888	974	**496**
Macquarie Income Preferred Securities distributions	-	-	-	-	(28)	(51)	(54)	(50)	(45)	**(6)**
Other minority interests	1	-	(3)	(3)	(1)	(1)	(3)	(1)	(25)	**(1)**
Macquarie Income Securities distributions	(31)	(29)	(28)	(27)	(29)	(29)	(31)	(34)	(33)	**(10)**
Profit attributable to ordinary equity holders	242	250	333	494	812	916	1,463	1,803	871	**479**
Balance sheet ($ million)										
Total assets	27,848	30,234	32,462	43,771	67,980	106,211	136,389	167,250	149,144	**146,931**
Total liabilities	26,510	27,817	29,877	40,938	63,555	100,874	128,870	157,189	139,584	**135,711**
Net assets	1,338	2,417	2,585	2,833	4,425	5,337	7,519	10,061	9,560	**11,220**
Total loan assets	7,785	9,209	9,839	10,777	28,425	34,999	45,796	52,407	44,751	**42,504**
Impaired loan assets (net of provisions)	31	49	16	61	42	85	88	165	952	**793**
Share information[(a)]										
Cash dividends per share (cents per share)										
Interim	41	41	41	52	61	90	125	145	145	**86**
Final	52	52	52	70	100	125	190	200	40	**n/a**
Special[(b)]	-	-	50	-	40	-	-	-	-	**n/a**
Total	93	93	143	122	201	215	315	345	185	**n/a**
Basic earnings per share (cents per share)	138.9	132.8	164.8	233.0	369.6	400.3	591.6	670.6	309.6	**150.2**
Share price at 30 September ($)[(a)]	27.63	33.26	24.70	35.80	48.03	64.68	82.75	52.82	27.05	**58.79**
Ordinary share capital (million shares)[(c)]	175.9	198.5	204.5	215.9	223.7	232.4	253.9	274.6	283.4	**332.7**
Market capitalisation at 30 September (fully paid ordinary shares) ($ million)	4,860	6,602	5,051	7,729	10,744	15,032	21,010	14,503	7,667	**19,558**
Net tangible assets per ordinary share ($)[(d)]	5.15	7.94	8.23	10.72	13.97	16.63	22.86	28.18	23.72	**26.11**
Ratios										
Return on average ordinary shareholders' funds[(e)]	27.1%	18.7%	18.0%	22.3%	29.8%	26.0%	28.1%	23.7%	9.9%	**9.6%**
Dividend payout ratio	67.5%	73.6%	87.4%[(c)]	53.2%	53.2%	54.4%	54.3%	52.2%	60.2%	**60.0%**
Expense/income ratio	80.3%	80.5%	78.7%	75.7%	72.4%	73.4%	73.2%	73.3%	82.1%	**82.9%**
Net loan losses as % of loan assets (excluding securitisation SPVs and segregated futures funds)	0.1%	0.2%	0.0%	0.3%	0.2%	0.2%	0.1%	0.3%	1.9%	**0.6%**
Assets under management ($ billion)[(f)]	30.9	41.3	52.3	62.6	96.7	140.3	197.2	232.0	243.1	**216.3**
Staff numbers[(g)]	4,467	4,726	4,839	5,716	6,556	8,183	10,023	13,107	12,716	**12,758**

(a) The Macquarie Bank Limited (now Macquarie Group Limited) ordinary shares were quoted on the Australian Stock Exchange (now Australian Securities Exchange) on 29 July 1996.

(b) The special dividend for 2003 was paid to release one-off franking credits to shareholders on entry into tax consolidation. Excluding the special dividend of 50 cents per share, the payout ratio would have been 56.8 percent.

(c) Number of fully paid ordinary shares at 31 March, excluding options and partly paid shares.

(d) Net tangible assets include intangibles (net of associated deferred tax assets and deferred liabilities) within assets and disposal groups held for sale.

(e) For the half-year to 30 September 2009 this is an annualised return on average ordinary shareholders' funds.

(f) The methodology used to calculate assets under management was revised in September 2005. Comparatives at 31 March 2005 have been restated in accordance with methodology.

(g) Includes both permanent staff (full time, part time and fixed term) and contractors (including consultants and secondees).

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