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## Appendix 2: Remuneration disclosures

### *Executive remuneration*

The remuneration arrangements for all of the persons listed above as Executive Directors or Executives are described in section 3 above.

In accordance with the requirements of AASB 124 *Related Party Disclosures*, the remuneration disclosures in the remuneration tables for the years ended 31 March 2011 and 31 March 2010, only include remuneration relating to the portion of the relevant periods that each individual was a Key Management Person.

While MEREP equity awards in respect of the current year's performance will be granted in the following financial year, Macquarie begins recognising an expense (based on an initial estimate) from 1 April of the current financial year in relation to these future grants. The expense is estimated using the Macquarie share price as at 31 March 2011 (and for PSUs, also incorporates a risk free interest rate of 5.71 per cent; expected life of four years; and a dividend yield of 5.2 per cent per annum). In the following financial year, Macquarie will adjust the accumulated expense recognised for the final determination of fair value for each MEREP award when granted, and will use this valuation for recognising the expense over the remaining vesting period.

As explained in section 3.3.2 above, profit share amounts retained under the Post-2009 DPS Plan are notionally invested for Executive Directors, providing them with an economic exposure to the underlying investments, typically Macquarie-managed funds. This ensures that they are exposed to both the upside and downside of the underlying securities.

Executive Directors are each entitled to amounts equivalent to the investment earnings (dividends/distributions and security price appreciation) on the underlying securities. Where these amounts are positive, they may be paid to Executive Directors as additional remuneration and are included in the relevant remuneration disclosures below as part of Long-Term Employee Benefits (refer to the 'Earnings on prior year restricted profit share' column in the tables on pages 112 to 113. When these amounts are negative, they are deducted from 'Long-Term Employee Benefits' remuneration in the same column.

These earnings on restricted profit share amounts reflect the investment performance of the assets in which prior year retained DPS amounts have been invested. Their inclusion in the individual remuneration disclosures below may therefore cause distortions when year-on-year remuneration trends are examined. They do not reflect remuneration review decisions made in relation to the individual's current year performance.

The table below highlights the underlying remuneration trend by adjusting the disclosed remuneration to exclude these earnings on retained DPS amounts for comparable Executive Key Management Personnel.

	2011 \$A	2010 \$A	Increase/ (Decrease)%
<b>Comparable Executive Key Management Personnel</b>			
Total disclosed remuneration	<b>43,006,634</b>	42,485,428	1
Less/(Add): Earnings/(Loss) on restricted profit share amounts	<b>5,116,094</b>	2,023,569	
Total underlying remuneration	<b>37,890,540</b>	40,461,859	(6)