

Notes to the financial statements

for the financial year ended 31 March 2011

continued

Consolidated Consolidated
2011 2010

Note 6

Earnings per share continued

	Number of shares	
Total weighted average number of ordinary shares used in the calculation of basic earnings per share	338,359,374	327,908,104
Weighted average number of shares used in the calculation of diluted earnings per share		
Weighted average fully paid ordinary shares	338,359,374	327,908,104
Potential ordinary shares:		
Weighted average options	158,315	268,277
Weighted average MEREP awards	3,717,229	275,888
Weighted average retention securities and options	205,609	153,375
Macquarie Convertible Preference Securities	16,808,205	12,237,648
Total weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	359,248,732	340,843,292

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 reporting 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 21,720 (2010: 85,318) options that were converted, lapsed or cancelled during the period. There are a further 30,452,745 (2010: 42,643,151) 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 financial year ended 31 March 2011 and consequently, they are not considered to be dilutive.

The Company has suspended new offers under the MGESOP under remuneration arrangements which were the subject of shareholder approvals obtained at a General Meeting of Macquarie Group Limited (MGL) in December 2009. The last grant of options under the MGESOP was on 8 December 2009. Currently the Company does not expect to issue any further options under the MGESOP.

Macquarie Group Employee Retained Equity Plan

In December 2009, the Company's shareholders approved the implementation of the MEREP. Awards granted under MEREP are considered to be potential ordinary shares and have been included in the calculation of diluted earnings per share to the extent they are dilutive. Included in the balance of weighted average shares are 469,059 (2010: nil) MEREP awards that were converted, lapsed or cancelled during the period. As at 31 March 2011, a further 3,847,042 (2010: nil) MEREP awards have not been included in the balance of weighted average awards on the basis that they are not considered to be dilutive.

Exchangeable shares

The exchangeable shares on issue (refer to note 31 – 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 (Macquarie CPS) (refer to note 30 – Loan Capital) 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. These securities have not been included in the determination of basic earnings per share.