

Notes to the financial statements

for the financial year ended 31 March 2012

continued

Consolidated Consolidated
2012 2011

Note 6

Earnings per share continued

	Number of shares	
Total weighted average number of externally held ordinary shares used in the calculation of basic earnings per share	327,014,737	338,359,374
Weighted average number of shares used in the calculation of diluted earnings per share		
Weighted average fully paid externally held ordinary shares	327,014,737	338,359,374
Potential ordinary shares:		
Weighted average options	17,174	158,315
Weighted average unvested MEREP awards	12,242,186	3,717,229
Weighted average retention securities and options	140,632	205,609
Weighted average Exchangeable Capital Securities	119,270	–
Weighted average Macquarie Convertible Preference Securities ¹	–	16,808,205
Total weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	339,533,999	359,248,732

¹ Macquarie Convertible Preference Securities were not dilutive as at 31 March 2012 on the basis of share prices prevailing at that time.

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 1,402 (2011: 21,720) options that were converted, lapsed or cancelled during the period. There are a further 19,753,127 (2011: 30,452,745) 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 2012 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 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 MGL shareholders approved the implementation of the Macquarie Group Employee Retained Equity Plan (MEREP).

Vested MEREP awards are considered to be ordinary shares and have been included in the determination of basic and diluted earnings per share from their date of vesting.

Unvested MEREP awards 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 MEREP awards are 1,193,335 (2011: 469,059) MEREP awards that were vested, lapsed or cancelled during the period. As at 31 March 2012, a further 935,794 (2011: 3,847,042) MEREP awards have not been included in the balance of weighted average MEREP 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.

Exchangeable Capital Securities

Exchangeable Capital Securities (ECS) (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.

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.