

Directors' Report

for the financial year ended 31 March 2013

continued

Environmental regulations

The Consolidated Entity has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified and appropriately addressed.

The Voting Directors have determined that there has not been any material breach of those obligations during the financial year.

Lead auditor

Prior to the end of the financial year, in accordance with the *Corporations Act 2001 (Cth)*, the Board granted approval to extend the term of the lead auditor, Mr D. Armstrong. The extension is for one year to include the audit of the 2014 financial year and PricewaterhouseCoopers (PwC) has agreed to the extension. The BAC recommended the extension to the Board given recent changes to Macquarie's operations, that necessitated substantial changes to the planning and execution of the 2013 external audit. These operational initiatives are ongoing and are expected to impact the 2014 audit. Following the 2013 audit, it is also expected that there will be changes to the membership of the BAC. The Board approval to extend the term of the lead auditor is consistent with maintaining the quality of the audit provided to the Group and would not give rise to a conflict of interest situation (as defined in section 324CD of the Act).

Non-audit services

Details of the amounts paid or payable to the auditor of the Consolidated Entity, PwC, and its related practices for non-audit services provided during the year is disclosed in Note 41 - Audit and other services provided by PwC.

The Consolidated Entity's *Auditor Independence Policy*, which is discussed in the Corporate Governance Statement, states that the external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for the Consolidated Entity, or audits its own professional expertise. The policy also provides that significant permissible non-audit assignments awarded to external auditor must be approved in advance by the Board Audit Committee (BAC) or the BAC Chairman, as appropriate.

The BAC has reviewed a summary of non-audit services provided during the year by PwC and its related practices and has confirmed that the provision of non-audit services did not compromise the auditor independence requirements of the Act. This has been formally advised to the Board of Directors by the BAC. For these reasons, the Voting Directors are satisfied that the provision of non-audit services during the year by the auditor and its related practices is compatible with the general standard of independence for auditors imposed by the Act.

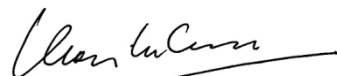
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Act, is set out in the Directors' Report Schedule 2 following this report.

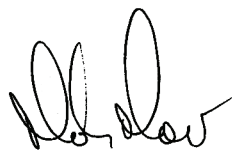
Rounding of amounts

In accordance with Australian Securities & Investments Commission Class Order 98/100 (as amended), amounts in the full Directors' Report and 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 Voting Directors.



H Kevin McCann AM
Independent Director and Chairman



Nicholas Moore
Managing Director and
Chief Executive Officer

Sydney
3 May 2013