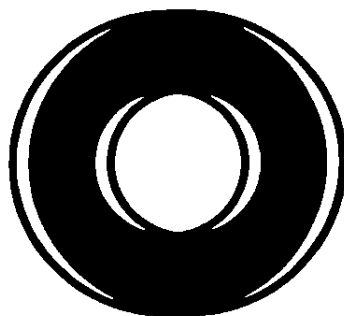


**Company Registration Number : 1802574**

**MACQUARIE INTERNATIONAL LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 MARCH 2008**



**MACQUARIE**



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# **MACQUARIE INTERNATIONAL LIMITED**

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## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

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**MACQUARIE INTERNATIONAL LIMITED**

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**GENERAL INFORMATION****Directors**

P Kirk	
J Walker	
T Song	
R Tallentire	
A Hunter	(appointed 20 <sup>th</sup> March 2008)
J Craig	(resigned 18 <sup>th</sup> April 2008)
P Plewman	(resigned 20 <sup>th</sup> March 2008)
A Downe	(resigned 20 <sup>th</sup> March 2008)
B Preston	(resigned 18 <sup>th</sup> May 2007)

**Secretaries**

R Tallentire	(resigned 30 <sup>th</sup> September 2008)
J Greenfield	(appointed 23 <sup>rd</sup> August 2007)
D Tan	(resigned 23 <sup>rd</sup> August 2007)

**Registered Office**

Level 30  
CityPoint  
1 Ropemaker Street  
London EC2Y 9HD

**Auditors**

PricewaterhouseCoopers LLP  
Hay's Galleria  
1 Hay's Lane  
London SE1 2RD

**Company number** 1802574

## **MACQUARIE INTERNATIONAL LIMITED**

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### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for Macquarie International Limited ("the Company") for the year ended 31 March 2008.

### **PRINCIPAL ACTIVITIES**

The Company is incorporated in the United Kingdom and has branches in Seoul and Hong Kong.

Up to 19 September 2007 the primary activities in the United Kingdom included energy and commodities trading. This business was transferred from the Company to Macquarie Commodities (UK) Limited on 19 September 2007 and thus ceased to be a principal activity. The UK branch now acts as an investment holding company and also facilitates employment agreements with Asian entities.

The principal activity of the Seoul branch is corporate advisory services and the secondment of staff out to joint ventures associated with the Macquarie Group.

The Hong Kong branch facilitates employment and secondment agreements amongst various Hong Kong entities within the Macquarie Group.

The Company also holds an investment in Global Star Korea Fund L.P., a limited partnership, which was established to seek medium to long-term capital appreciation by acquiring, holding and disposing equity and equity related investments in Korea.

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

On 1 September 2007, Macquarie Bank Limited and Macquarie Corporate Finance Limited sold all of their share holdings in the Company to Macquarie Capital International Holdings Pty Limited, at the original cost. Consequently, Macquarie Capital International Holdings Pty Limited became the new immediate parent of the Company.

Effective from 19 September 2007, all trading businesses were transferred from the Company to Macquarie Commodities (UK) Limited, a wholly owned subsidiary of Macquarie Group Limited. The results of all trading businesses during the year are disclosed as a discontinued operation on the face of the profit and loss account.

On 26 October 2007 all available for sale investments, except Global Star Korea Fund L.P., were transferred from the Company to Macquarie Bank Limited, a wholly owned subsidiary of Macquarie Group Limited.

On 13 November 2007, the Macquarie Group restructured into a non-operating holding company structure. The restructure resulted in Macquarie Group Limited being established as the ultimate parent of the Macquarie Group.

As part of the restructure, the Company has disposed of the following investments in wholly owned subsidiaries:

- sold 100% of its investment in Macquarie Finance (UK) Limited to Macquarie Investments (UK) Limited, for £200,000
- sold 100% of its investment in MEIF (UK) Limited to Macquarie Internationale Holdings Limited, for £5,000
- sold 100% of its investment in Macquarie France SARL to Macquarie European Investment Holdings Limited, for EUR 5,000
- sold 100% of its investment in Macquarie Investments Deutschland GmbH to Macquarie European Investment Holdings Limited, for EUR 25,000
- sold 100% of its investment in Macquarie Spain SL to Macquarie European Investment Holdings Limited, for EUR 5,000
- sold 100% of its investment in Macquarie Denmark Limited A/S to Macquarie European Investment Holdings Limited, for DKK 500,000

During the year, the Company invested a further USD 3,141,952 in Global Star Korea Fund L.P. As at 31 March 2008 the company has a 4.96% partnership interest in Global Star Korea Fund L.P.

The Company does not envisage any changes in activities for the foreseeable future, except those outlined in post balance sheet date events.

**MACQUARIE INTERNATIONAL LIMITED**

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**DIRECTORS' REPORT (CONTINUED)****POST BALANCE SHEET DATE EVENTS**

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2008 not otherwise disclosed in this report.

Post year end, the Company invested a further USD 1,273,690 in Global Star Korea Fund L.P.

**RESULTS AND DIVIDENDS**

The Company's profit after tax for the financial year was £6,605,622 (2007: £8,466,227).

An interim dividend of £8,000,000 (2007: £NIL) was paid on 1 September 2007.

**PRINCIPAL RISKS AND UNCERTAINTIES**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited, which include those of the Company, are discussed in its financial statements and can be obtained from the address given in Note 27.

**KEY PERFORMANCE INDICATORS ("KPIs")**

Given the straightforward nature of the business and the information provided elsewhere in this report, the directors are of the opinion that the production of the KPIs in the Directors' Report is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Company are monitored at the Macquarie Group level.

**FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The Company is subject to the Macquarie Group's Risk Management programme that seeks to limit adverse effects on the financial performance of the Company.

**Credit risk**

Credit exposures, approvals and limits are controlled within the Macquarie Group's credit risk framework, as established by the Risk Management Group.

**Liquidity risk**

The directors have adopted the risk model used by the Macquarie Group, as approved by the Risk Management Group. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

**MACQUARIE INTERNATIONAL LIMITED**

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**DIRECTORS' REPORT (CONTINUED)****Interest rate risk**

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances and receivables from other Macquarie Group undertakings, all of which earn a variable rate of interest. Interest bearing liabilities include payables to Macquarie Group Limited and its subsidiaries, which also incur a variable rate of interest.

**Foreign exchange risk**

The Company has foreign exchange exposures which include amounts payable to Macquarie Group undertakings which are denominated in non-functional currencies.

Material non-functional currency exposures are managed by transferring the exposure to Macquarie Capital Group Limited.

**DIRECTORS**

The directors of the Company holding office during the year were as follows:

P Kirk	
J Walker	
T Song	
R Tallentire	
A Hunter	(appointed 20 <sup>th</sup> March 2008)
J Craig	(resigned 18 <sup>th</sup> April 2008)
P Plewman	(resigned 20 <sup>th</sup> March 2008)
A Downe	(resigned 20 <sup>th</sup> March 2008)
B Preston	(resigned 18 <sup>th</sup> May 2007)

**CREDITORS PAYMENT POLICY**

It is the Company's policy to agree the terms of payment to creditors at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations.

**MACQUARIE INTERNATIONAL LIMITED**

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**DIRECTORS' REPORT (CONTINUED)****ANNUAL GENERAL MEETING**

The Company has dispensed with the obligation to hold an Annual General Meeting, as permitted under Section 366A of the Companies Act 1985.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

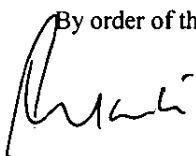
So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

Pursuant to Section 386 of the Companies Act 1985, an elective resolution was passed resolving that the Company dispense with the requirement to appoint auditors annually.

By order of the board



PETER KIRK  
Director

30 January 2009

## **MACQUARIE INTERNATIONAL LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACQUARIE INTERNATIONAL LIMITED**

We have audited the financial statements of Macquarie International Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
20 January 2009



**MACQUARIE INTERNATIONAL LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 £	2007 (Restated) £
<b>Turnover</b>			
Continuing operations		62,809,060	36,282,482
Discontinued operations		2,934,886	14,697,832
		<u>65,743,946</u>	<u>50,980,314</u>
 Administrative expenses			
Continuing operations		(55,926,167)	(31,759,128)
Discontinued operations		(1,510,376)	(4,428,388)
		<u>(57,436,543)</u>	<u>(36,187,516)</u>
		8,307,403	14,792,798
 Other operating gains/(charges)		<u>1,430,393</u>	<u>(2,210,224)</u>
<b>OPERATING PROFIT</b>		9,737,796	12,582,574
 Gain on sale of fixed asset investments		340,923	-
Other interest receivable and similar income	3	9,417,366	2,982,130
Interest payable and similar charges	4	<u>(8,917,282)</u>	<u>(2,505,798)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	10,578,803	13,058,906
 Tax on profit on ordinary activities	8	<u>(3,973,181)</u>	<u>(4,592,679)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>6,605,622</u>	<u>8,466,227</u>
 <b>RETAINED PROFIT BROUGHT FORWARD</b>		<u>15,760,959</u>	<u>7,294,732</u>
 <b>RETAINED PROFIT CARRIED FORWARD</b>		<u>14,366,581</u>	<u>15,760,959</u>

The notes on pages 12 to 34 form part of these financial statements.

**MACQUARIE INTERNATIONAL LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2008**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	6,605,622	8,466,227
Movement in foreign currency translation reserve (note 24)	(248,204)	243,109
Fair value movements on available for sale financial instruments (note 24)	(13,938)	13,938
Total recognised gains for the financial year	<u>6,343,480</u>	<u>8,723,274</u>

The notes on pages 12 to 34 form part of these financial statements.

**MACQUARIE INTERNATIONAL LIMITED****BALANCE SHEET AS AT 31 MARCH 2008**

	Notes	2008 £	2007 (Restated) £
<b>FIXED ASSETS</b>			
Tangible assets	11	1,281,497	1,807,281
Investments	12	-	274,439
Available for sale investments	13	1,701,873	1,369,452
		<u>2,983,370</u>	<u>3,451,172</u>
<b>CURRENT ASSETS</b>			
Deferred tax asset	9	1,927,130	1,506,066
Debtors	14	94,965,009	73,720,299
Cash at bank and in hand	15	12,267,244	7,189,915
Financial assets			
- Derivative financial instruments		-	162,168,594
		<u>109,159,383</u>	<u>244,584,874</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	(22,897,476)	(40,194,070)
Financial liabilities			
- Derivative financial instruments		-	(147,423,064)
<b>NET CURRENT ASSETS</b>		<u>86,261,907</u>	<u>56,967,740</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	(941,921)	(846,886)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	(66,505,686)	(38,053,204)
<b>NET ASSETS</b>		<u>21,797,670</u>	<u>21,518,822</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	2,500,000	2,500,000
Options reserve	22	4,548,534	2,613,166
Other reserves	24	382,555	644,697
Profit and loss account		14,366,581	15,760,959
<b>SHAREHOLDERS' FUNDS</b>	25	<u>21,797,670</u>	<u>21,518,822</u>

The notes on pages 12 to 34 form part of these financial statements.

The financial statements on pages 9 to 34 were approved by the board of directors on 30 January 2009 and were signed on its behalf by:

  
**PETER KIRK**  
 Director

## **MACQUARIE INTERNATIONAL LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with Schedule 4 to the Companies Act 1985, as modified by the revaluation of financial derivative instruments and available for sale financial assets to market value as disclosed below, and with applicable accounting standards.

The financial statements contain information about Macquarie International Limited as an individual company and do not contain consolidated financial information as a parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in full consolidation in the consolidated financial statements of its ultimate parent Macquarie Group Limited, a company incorporated in Australia.

On 13 November 2007, the ultimate parent of Macquarie International Limited changed to Macquarie Group Limited after the Macquarie Group became a non-operating holding company structure. The restructure resulted in Macquarie Group Limited being established as the ultimate parent of the Macquarie Group. For comparative reasons, references to the 'ultimate parent undertaking' in the prior year have been restated to 'other Macquarie Group undertakings'.

The Company adopted the requirements of Financial Reporting Standard 29 'Financial Instruments: Disclosures', which are explained in Note 19.

The particular policies adopted are described below:

##### **a) Turnover**

Turnover for the year comprises:

- (i) Management and other fee income, including advisory fees, which is brought to account as work is completed and a fee is agreed with clients;
- (ii) Amounts relating to the facilitation of staff secondments to overseas companies within the Macquarie Group, as well as other external counterparties, which are brought to account in accordance with agreements in place;
- (iii) Net trading income comprising of:  
Movements in the market value of underlying derivative financial instruments  
*Less:* the portion allocated to those entities which introduce the trade in accordance with service agreements in place  
*Less:* the service fee paid to the ultimate parent undertaking for servicing of the trades.

##### **b) Other Operating Gains/(Charges)**

Gains and losses arising from foreign currency transactions are accounted for as other operating gains or charges respectively.

##### **c) Interest**

Interest receivable and similar income and interest payable and similar charges are brought to account on an accruals basis.

Interest payable to other Macquarie Group undertakings has been disclosed on a gross basis in the profit and loss account, whereas this had been stated net in prior years. Prior year comparatives have been restated to reflect this change. The balance sheet has been disclosed on a net basis with no change as there is still a legal right of set off and an intention to settle net or simultaneously.

## **MACQUARIE INTERNATIONAL LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008 (CONTINUED)**

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **d) Cash at Bank and in Hand**

Cash at bank and in hand comprises cash on hand and deposits held at call with banks.

##### **e) Taxation and Deferred Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences between the accounting and tax treatment of income and expenses, at the reporting date, the anticipated reversal of which will result in change in the future liability to tax. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and law and is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

##### **f) Employee Incentive Schemes**

Employee incentive schemes include bonuses which may be retained by the Company and paid to the employee over four years. Where such retention occurs the retained portion is recorded under Deferred Employee Retentions and amortised over the retention period.

The ultimate parent undertaking, Macquarie Group Limited, operates an Employee Option Plan ("the Plan"), a share-based compensation plan which includes granting options to employees of the Company. The particulars of the Plan are further explained in Note 23.

##### **g) Tangible Fixed Assets and Depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided in equal monthly instalments on a straight-line basis over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures and fittings	20% - 25% per annum
Office equipment	20% - 33% per annum
Computers	25% - 50% per annum
Leasehold improvements	25% per annum
Vehicles	25% per annum
Capital lease asset	25% per annum

##### **h) Leases**

Lease transactions are either operating leases or finance leases, depending on the terms of the underlying lease agreement. Vehicles acquired under finance lease agreements are recorded at cost as tangible fixed assets and depreciated using the straight line method over the estimated useful lives. The aggregate lease payments are recorded as obligations under finance leases, net of accrued interest. Accrued interest is amortised over the lease period using the effective interest rate method.

Vehicles acquired under operating lease agreements are not recorded as tangible fixed assets. The related lease rentals are charged to expense over the lease period on a straight line basis.

**MACQUARIE INTERNATIONAL LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****1. ACCOUNTING POLICIES (CONTINUED)****i) Equity investments**

Equity investments are recorded at cost less provision for impairment. Where the directors are of the opinion that there has been a permanent diminution in the value of investments, the carrying amount of such investments is written down to their recoverable amount. The impairment of fixed asset investment is recognised as an expense in the Profit and Loss Account.

Available for sale investments consist of securities that are not actively traded and are intended to be held for an indefinite period of time. They are carried at fair value. Gains and losses arising from subsequent changes in fair value are recognised directly in the available for sale reserve in equity, until the asset is derecognised or impaired, at which time the cumulative gain or loss will be recognised in the Profit and Loss Account.

Fair values of quoted investments in active markets are based on current bid prices. If the relevant market is not considered active (or the securities traded are unlisted), fair value is established by using valuation techniques, including recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where a fair value cannot be reliably measured investments are recognised at cost.

The Company determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Directors evaluate, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance, operational and financing cash flows or changes in technology.

**j) Derivative Financial Instruments**

Derivative financial instruments entered into by the Company included forwards, futures, exchange traded options, over-the-counter options and swaps in the energy markets. The Company has used these derivative financial instruments for both economic hedging and non-hedging purposes during the financial year.

All derivatives were recognised on the Balance Sheet and were disclosed as an asset where they had a positive fair value at balance date or as a liability where the fair value at balance date was negative. Derivatives were initially recognised at fair value on the date a derivative contract was entered into and subsequently re-measured to their fair value. Fair values were obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. Movements in the carrying amounts of the derivatives were recognised in the Profit and Loss Account.

The best evidence of a derivative's fair value at initial recognition is the transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. Where such evidence exists, the Company recognised profit immediately when the derivative was recognised.

## **MACQUARIE INTERNATIONAL LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008 (CONTINUED)**

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **k) Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to setoff the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### **l) Impairment of Financial Assets**

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### **m) Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Profits and losses of branches which have currencies of operation other than sterling are translated into sterling at average rates of exchange. Monetary assets and liabilities denominated in foreign currencies which are not covered by forward exchange contracts are translated to sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Exchange differences arising from the translation of the Company's foreign branches, which have currencies of operation other than sterling, are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end.

##### **n) Provision for Liabilities and Charges**

A provision is recognised where the Company has a present legal or constructive obligation to make a payment as a result of a past event where it is more probable than not that a transfer of economic benefit will be required to settle the obligation and the amount can be reliably estimated.

##### **o) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****2. SEGMENT REPORTING****Geographical Segments**

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
Hong Kong	32,024,492	27,203,660	2,517,369	2,393,387	6,524,381	2,208,349
Korea	15,019,891	11,897,426	2,156,924	2,614,764	9,179,757	7,436,620
United Kingdom	18,699,563	11,879,228	5,904,510	8,050,755	6,093,532	11,873,853
	<u>65,743,946</u>	<u>50,980,314</u>	<u>10,578,803</u>	<u>13,058,906</u>	<u>21,797,670</u>	<u>21,518,822</u>

**Business Segments**

	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
Bullion	-	-	(327)	-	-	(2,170,869)
Corporate advisory	7,260,516	6,224,643	7,016,359	4,772,381	23,396,010	16,217,035
Energy markets	3,804,279	11,432,061	2,444,919	8,837,045	-	11,620,691
Equity markets	1,151,567	1,921,020	542,851	830,810	2,321,066	1,278,119
Property	-	-	157,085	49,146	124,278	1,527,741
Human resources *	46,716,545	28,374,364	(7,174,470)	(1,143,314)	1,044,432	(16,976,924)
Other	6,811,039	3,028,226	7,592,386	(287,162)	(5,088,116)	10,023,029
	<u>65,743,946</u>	<u>50,980,314</u>	<u>10,578,803</u>	<u>13,058,906</u>	<u>21,797,670</u>	<u>21,518,822</u>

\* Human resources net assets/(liabilities) include profit share provision for employees and seconded employees from various business segments.

**3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	2008 £	2007 (Restated) £
Interest receivable from ultimate parent undertaking	7,251,050	1,422,659
Interest receivable from other Macquarie Group undertakings	1,839,969	1,281,661
Interest receivable from unrelated parties	326,347	277,810
	<u>9,417,366</u>	<u>2,982,130</u>



**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2008	2007 (Restated)
	£	£
Interest payable to ultimate parent undertaking	7,846,216	2,307,684
Interest payable to other Macquarie Group undertakings	1,069,262	195,762
Interest payable to unrelated parties	1,804	2,352
	<u>8,917,282</u>	<u>2,505,798</u>

**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after charging:

	2008	2007
	£	£
Foreign exchange gains / (losses)	1,430,393	(2,210,224)
Staff costs:		
Wages and salaries	54,185,816	33,007,673
Social security costs	32,929	9,254
Other pension costs	67,920	43,623
Depreciation charges	581,959	347,091
Finance lease charges	5,933	6,093
Auditors' remuneration:		
Audit services	45,098	67,626
Non-audit services	30,131	18,879

**6. EMPLOYEE INFORMATION**

The average number of persons employed by the Company during the year was:

	2008	2007
<b>By activity</b>		
Production and selling	146	135
Administration	36	37
	<u>182</u>	<u>172</u>

The figures above include persons employed by Macquarie International Limited and seconded to other legal entities within the Macquarie Group and associated entities.

**7. DIVIDENDS PAID**

	2008	2007
	£	£
<b>Equity – Ordinary</b>		
Interim paid in September 2007: £3.20 (September 2006: £0) per share	8,000,000	-
	<u>8,000,000</u>	<u>-</u>

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****8. TAX ON PROFIT ON ORDINARY ACTIVITIES****Analysis of tax charge for the year**

	2008 £	2007 £
Current tax:		
UK corporation tax at 30% (2007: 30%)	3,828,024	3,976,247
Adjustments to tax in respect of prior years	566,221	714,570
Foreign tax suffered	1,271,495	1,446,986
Foreign tax / double tax relief	(1,271,495)	(1,446,895)
Total current tax	<u>4,394,245</u>	<u>4,690,908</u>
Deferred tax:		
Origination and reversal of timing differences	7,506	182,235
Adjustments to tax in respect of prior years	(566,221)	(280,464)
Change in tax rate	137,651	-
Total deferred tax	<u>(421,064)</u>	<u>(98,229)</u>
 Tax on profit on ordinary activities	 <u>3,973,181</u>	 <u>4,592,679</u>

**Factors affecting tax charge for the year**

The taxation charge for the year ended 31 March 2008 is higher (2007: higher) than the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before taxation	10,578,803	13,058,906
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2007: 30%)	3,173,641	3,917,672
Effects of:		
Tax expense relating to foreign branch operations	-	91
Expenses not deductible for tax purposes	646,878	240,810
Accelerated capital allowance	3,579	269,914
Adjustments in respect of timing differences	3,926	(452,149)
Adjustments to tax in respect of prior years	566,221	714,570
	<u>4,394,245</u>	<u>4,690,908</u>

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****9. DEFERRED TAX ASSET**

	2008 £	2007 £
At 1 April	1,506,066	1,407,837
Timing differences:		
Amount credited/(charged) to profit and loss (note 8)	421,064	98,229
<b>Deferred tax asset recognised at 31 March</b>	<b><u>1,927,130</u></b>	<b><u>1,506,066</u></b>
The deferred tax asset comprises:		
Accelerated capital allowance	3,341	269,914
Timing differences in respect of provision made for VAT	1,176,041	1,336,625
Timing differences in respect of leave entitlements	126,668	(100,473)
Timing difference on profit share retention	598,872	-
Foreign exchange movement on tangible fixed assets	22,208	-
<b>Deferred tax asset recognised at 31 March</b>	<b><u>1,927,130</u></b>	<b><u>1,506,066</u></b>

**10. DIRECTORS' REMUNERATION**

During 2007 and 2008 the directors were employed by, and received all emoluments from, other Macquarie Group undertakings. There is no allocation of their emoluments to the company as it would be impractical to do so, accordingly, no separate remuneration has been disclosed.

**11. TANGIBLE FIXED ASSETS**

	Leasehold Improvements 2008 £	Office furniture, fixtures, fittings and computers 2008 £	Vehicles 2008 £	Capital Lease Assets 2008 £	Total 2008 £
<b>COST</b>					
At 1 April 2007	1,428,602	879,451	62,659	27,008	2,397,720
Exchange adjustment	(84,809)	(54,132)	(3,590)	(304)	(142,835)
Additions	63,552	91,387	-	-	154,939
Disposals	-	(10,958)	-	(26,704)	(37,662)
At 31 March 2008	<u>1,407,345</u>	<u>905,748</u>	<u>59,069</u>	<u>-</u>	<u>2,372,162</u>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 April 2007	189,979	339,091	55,367	6,002	590,439
Exchange adjustment	(30,950)	(32,373)	(3,293)	3,096	(63,520)
Charge for the year	361,584	212,064	2,574	5,737	581,959
Disposals	-	(3,378)	-	(14,835)	(18,213)
At 31 March 2008	<u>520,613</u>	<u>515,404</u>	<u>54,648</u>	<u>-</u>	<u>1,090,665</u>
<b>NET BOOK AMOUNT</b>					
31 March 2008	<u>886,732</u>	<u>390,344</u>	<u>4,421</u>	<u>-</u>	<u>1,281,497</u>
31 March 2007	<u>1,238,623</u>	<u>540,360</u>	<u>7,292</u>	<u>21,006</u>	<u>1,807,281</u>

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****12. FIXED ASSET INVESTMENTS**

	2008 £	2007 £
<b>COST</b>		
At 1 April	274,439	274,439
Additions	-	-
Disposals	(274,439)	-
Foreign currency translation	-	-
At 31 March	<u>-</u>	<u>274,439</u>

During the year, the Company has disposed of the following investments in wholly owned subsidiaries at cost:

- sold 100% of its investment in Macquarie Finance (UK) Limited to Macquarie Investments (UK) Limited, for £200,000
- sold 100% of its investment in MEIF (UK) Limited to Macquarie Internationale Holdings Limited, for £5,000
- sold 100% of its investment in Macquarie France SARL to Macquarie European Investment Holdings Limited, for EUR 5,000
- sold 100% of its investment in Macquarie Investments Deutschland GmbH to Macquarie European Investment Holdings Limited, for EUR 25,000
- sold 100% of its investment in Macquarie Spain SL to Macquarie European Investment Holdings Limited, for EUR 5,000
- sold 100% of its investment in Macquarie Denmark Limited A/S to Macquarie European Investment Holdings Limited, for DKK 500,000

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****13. AVAILABLE FOR SALE INVESTMENTS**

	2008 £	2007 £
At 1 April	1,369,452	71,922
Additions	5,337,354	1,283,592
Disposals	(4,990,995)	-
Fair value movement to reserves	(13,938)	13,938
At 31 March	<u>1,701,873</u>	<u>1,369,452</u>

There were no impairment provisions on the available for sale investments in 2008 and 2007. Available for sale investments comprise:

	2008 £	2007 £
<b>Listed securities:</b>		
Ariana Resources Plc	-	134,615
Petrolatina Energy Plc	-	639,323
Tethys Petroleum Ltd	-	477,102
<b>Unlisted securities:</b>		
Global Star Korea Fund L.P.	<u>1,701,873</u>	<u>118,412</u>
	<u>1,701,873</u>	<u>1,369,452</u>

**Ariana Resources Plc**

On 26 October 2007 the Company transferred its investment of 1,538,462 ordinary shares in Ariana Resources Plc to Macquarie Bank Limited for GBP 77,077.

**Petrolatina Energy Plc**

On 26 October 2007 the Company transferred its investment of 2,644,086 ordinary shares in Petrolatina Energy Plc to Macquarie Bank Limited for GBP 271,019.

**Tethys Petroleum Ltd**

On 26 October 2007 the Company transferred its investment of 2,000,000 ordinary shares in Tethys Petroleum Ltd to Macquarie Bank Limited for CAD 1,300,000.

**Global Star Korea Fund L.P.**

The Company has entered into a Limited Partnership Agreement with Global Star Korea Fund L.P. As at 31 March 2008, the Company has contributed USD 3,374,952. This represents an investment of 4.96% in Global Star Korea Fund. The fair value of Global Star Korea Fund L.P. is based on the percentage holding of fund net assets at 31 March 2008.

**Glencar Mining Plc**

During the year the Company purchased 9,500,000 ordinary shares in Glencar Mining Plc for GBP 997,500. This represented an investment of 9.3% in Glencar Mining Plc. On 26 October 2007 the Company transferred its investment of 9,500,000 ordinary shares in Glencar Mining Plc to Macquarie Bank Limited for GBP 931,000.

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****13. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)****Copperbelt Minerals Ltd**

During the year the Company purchased 625,000 ordinary shares in Copperbelt Minerals Ltd for USD 5,000,000. This represented an investment of 4.2% in Copperbelt Minerals Ltd. On 26 October 2007 the Company transferred its investment of 625,000 ordinary shares in Copperbelt Minerals Ltd to Macquarie Bank Limited for USD 6,250,000.

**Sumatra Copper and Gold Ltd**

During the year the Company purchased 200,000 ordinary shares in Sumatra Copper and Gold Ltd for GBP 260,000. This represented an investment of 7.3% in Sumatra Copper and Gold Ltd. On 8 August 2007 the Company transferred its investment of 200,000 ordinary shares in Sumatra Copper and Gold Ltd to Macquarie Bank Limited for GBP 300,000.

**14. DEBTORS**

	2008 £	2007 £
Amounts owed by other Macquarie Group undertakings	71,458,326	49,281,133
Trade debtors	-	2,777,129
Deferred employee retentions	14,966,914	8,603,282
VAT recoverable	4,200,148	4,455,417
Rentals receivable	2,077,584	2,119,619
Fees receivable	1,277,411	749,222
Other debtors	646,156	704,791
Taxation	338,470	5,029,706
	<u>94,965,009</u>	<u>73,720,299</u>

Amounts owed by the ultimate parent undertaking are unsecured and have no fixed date of repayment. The Company derives interest at market rates and at 31 March 2008 the rate applied was LIBOR plus 0.05% (2007: LIBOR plus 0.05%).

Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to overseas group undertakings at market rates and at 31 March 2008 the rate applied ranged between LIBOR plus 0.35% and LIBOR plus 1.49% (2007: between LIBOR plus 0.05% and LIBOR plus 0.68%). The Company has opted to apply FRS 25 'Financial Instruments: Disclosure and Presentation', and has offset amounts owed to with amounts payable from group undertakings, on a counterparty by counterparty basis. The Company has a legally enforceable right of set off and intends to settle on a net basis.

On 10 May 2002 the Korean tax authorities advised the Seoul branch of the Company by preliminary notice of a probable denial of VAT recoverable arising from some of the activities of its bullion business. The Company is currently pursuing resolution of the issue through the appropriate legal and administrative channels. Legal advice obtained to date indicates the Company should be successful. However, two appeals to date have been unsuccessful. At 31 March 2008 the amount subject of this dispute is £4,200,148 (2007: £4,455,417) And has been fully provided for (refer to note 18)

Prior to commencement of the activities of the bullion business, the directors obtained appropriate tax and legal advice and the Company implemented the advised measures to satisfy the VAT refund requirements. The directors are confident that the Company has complied with all necessary rules and regulations and has maintained adequate documentation to recover the VAT. The Company has suspended the particular activities of the bullion business from May 2002.

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****15. CASH AT BANK AND IN HAND**

	2008 £	2007 £
Cash held with other banks	12,267,029	7,189,543
Petty cash	215	372
	<u>12,267,244</u>	<u>7,189,915</u>

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008 £	2007 (Restated) £
Amounts owed to other Macquarie Group undertakings	12,316,993	252,047
Trade payables	-	24,357,929
Taxation	3,642,686	9,695,044
Trade creditors	2,352	11,138
Accrued expenses	1,905,725	1,076,210
Finance leases	-	8,537
Other creditors	529,720	293,165
Redeemable preference shares of £1 each – £4,500,000	4,500,000	4,500,000
	<u>22,897,476</u>	<u>40,194,070</u>

The Company incurs interest on intercompany loans owed to Macquarie group undertakings at market rates and at 31 March 2008 the rate applied was LIBOR plus 0.85% (2007: 0.47%). The Company has a legally enforceable right of set off and intends to settle on a net basis.

The redeemable preference shares were issued to Macquarie Group International Holdings Pty Limited for £4,500,000. The cumulative fixed preferential coupon on each redeemable preference share is 0% and the mandatory redemption date is 5 years from the date the shares were issued, being 13 May 2009. The shares can be redeemed by the holder on 14 days notice and therefore are included as a creditor falling due within one year.

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2008 £	2007 (Restated) £
Refundable rental deposit	941,921	833,489
Finance leases	-	13,397
	<u>941,921</u>	<u>846,886</u>

**Finance leases**

Future minimum payments under finance leases are as follows:

	2008 £	2007 £
Within 1 year	-	8,537
In more than one year, but not more than five years	-	13,397
	<u>-</u>	<u>21,934</u>

During the year the finance lease was terminated.

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****18. PROVISIONS FOR LIABILITIES AND CHARGES**

	VAT Provision £	Employee Bonuses £	Total £
At 1 April 2007	4,455,417	33,597,787	38,053,204
Paid during the year	-	(21,458,222)	(21,458,222)
Charged to profit and loss	-	38,168,036	38,168,036
Charged to profit and loss – foreign exchange movement	(255,269)	2,455,623	2,200,354
Deferred as employee retentions	-	9,542,314	9,542,314
At 31 March 2008	<u>4,200,148</u>	<u>62,305,538</u>	<u>66,505,686</u>

A provision of KRW 8,248,510,259 (2008: £4,200,148, 2007: £4,455,417) has been made against the VAT recoverable in the event that the appeal against the Korean tax authorities is not successful. The amount has been in dispute since 2002 and it is uncertain when the matter will be resolved.

A provision of £47,710,351 (2007: £25,709,480) has been made in relation to bonuses payable to staff employed by the Company. Bonuses charged to the profit and loss account during the financial year of £38,168,036 relate to the 2008 bonus period, which is payable in May 2008. The deferred employee retentions of £9,542,314 will be amortised over future service periods.

**Maturity profile of bonus provision**

	2008 £	2007 £
Within 1 year	42,584,509	21,458,222
Between 1 and 2 years	4,521,830	2,225,169
Between 2 and 5 years	15,199,199	9,914,396
	<u>62,305,538</u>	<u>33,597,787</u>

**19. FINANCIAL RISK MANAGEMENT**

The main financial risks faced by the Company are credit risk, liquidity risk and market risk. The Company is responsible for its own risk acceptance and management decisions.

The Company has established its own limits in relation to these key risks. These risks are monitored by the Risk Management Group, with any breaches escalated to the Board of Directors.

The Company manages its risks within the broader Macquarie Group-wide risk management framework.

**(a) Credit risk**

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due.

Credit risk within the Company is managed within limits established by the Risk Management Group and approved by the Board of Directors.



**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****19. FINANCIAL RISK MANAGEMENT (CONTINUED)****Maximum exposure to credit risk**

The table below details the concentration of credit exposure of the Company's assets to significant geographical locations and counterparty types. The amounts shown represent the maximum credit risk of the Company's assets. In all cases this is equal to the carrying value of the assets.

	<b>Cash at Bank</b>	<b>Debtors</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Europe</b>			
Macquarie Bank Limited	-	-	-
Amounts owed by other Macquarie Group undertakings	-	11,290,577	11,290,577
Tax receivables	-	417,537	417,537
Rental deposits	-	2,077,584	2,077,584
Other	-	2,098,062	2,098,062
<b>Total Europe</b>	-	<b>15,883,760</b>	<b>15,883,760</b>
<b>Asia</b>			
Macquarie Bank Limited	-	-	-
Shinhan Bank	12,267,029	-	12,267,029
Tax receivables	-	4,200,148	4,200,148
Amounts owed by other Macquarie Group undertakings	-	49,708,486	49,708,486
<b>Total Asia</b>	<b>12,267,029</b>	<b>53,908,634</b>	<b>66,175,663</b>
<b>Australia</b>			
Macquarie Bank Limited	-	9,404,850	9,404,850
Amounts owed by other Macquarie Group undertakings	-	815,247	815,247
<b>Total Australia</b>	-	<b>10,220,097</b>	<b>10,220,097</b>
<b>Other</b>			
Amounts owed by other Macquarie Group undertakings	-	239,166	239,166
<b>Total Other</b>	-	<b>239,166</b>	<b>239,166</b>
<b>Total Credit Risk</b>	<b>12,267,029</b>	<b>80,251,657</b>	<b>92,518,686</b>

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****19. FINANCIAL RISK MANAGEMENT (CONTINUED)****Credit quality of financial assets**

The credit quality of financial assets is managed by the Company using internal credit ratings. These internal ratings are mapped to external ratings as follows:

<b>Credit Grading</b>	<b>External Equivalent (Long term) Standard &amp; Poors</b>
Investment Grade	AAA to BBB-
Below Investment Grade	BB+ to C
Default	Default

The table below shows the credit quality by class of financial asset for cash related balance sheet lines, based on the Company's credit rating system.

**Credit Quality**

	<b>Investment Grade £</b>	<b>Below Investment Grade £</b>	<b>Default £</b>	<b>Total £</b>
<b>Cash at Bank</b>				
- Shinhan bank	12,267,029	-	-	12,267,029
<b>Debtors</b>				
- Macquarie Bank Limited	9,404,850	-	-	9,404,850
- Amounts owed by other Macquarie Group undertakings	-	62,512,813	554,156	63,066,969
- Tax receivables	4,617,685	-	-	4,617,685
- Rental deposits	-	2,077,584	-	2,077,584
- Other	-	2,098,062	-	2,098,062
<b>Total</b>	<b>26,289,564</b>	<b>66,688,459</b>	<b>554,156</b>	<b>93,532,179</b>

**Financial assets whose terms have been renegotiated**

No financial assets have been renegotiated where they would have otherwise been classified as past due or impaired.

A facility is considered to be past due when a contractual payment falls overdue by more than one day.

**Ageing analysis of assets past due but not impaired and impaired assets**

	<b>Less than 30 days £</b>	<b>31 to 60 days £</b>	<b>61 to 90 days £</b>	<b>More than 91 days £</b>	<b>Impaired £</b>	<b>Total £</b>	<b>Fair value of collateral held £</b>
<b>Debtors</b>	23,297	21,691	173,877	335,291	-	554,156	-
<b>Total</b>	<b>23,297</b>	<b>21,691</b>	<b>173,877</b>	<b>335,291</b>	<b>-</b>	<b>554,156</b>	<b>-</b>

**MACQUARIE INTERNATIONAL LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)**
**19. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(b) Liquidity risk**

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations associated with financial liabilities. Liquidity risk within the Company is managed within established limits by the Risk Management Group and approved by the Board of Directors. The Company's management of its liquidity risk is within the Group-wide risk management framework.

**Contractual undiscounted cash flows**

The table summarises the maturity profile of the Company's financial liabilities as at 31 March 2008 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. The Company expects that counterparties will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows.

	At call £	Less than 3 months £	3 months – 5 years £	Over 5 years £	Total £
Creditors: amounts falling due within one year	(12,316,993)	(9,638,562)	-	-	(21,955,555)
Creditors: amounts falling due after more than one year	-	-	-	(941,921)	(941,921)
<b>Total undiscounted cash flows</b>	<b>(12,316,993)</b>	<b>(9,638,562)</b>	<b>-</b>	<b>(941,921)</b>	<b>(22,897,476)</b>

**(c) Market risk**

Market risk is the exposure to adverse changes in the Company's financial position as a result of changes in market prices or market volatility. The market risk the Company is exposed to is:

- *equity price*: changes in the price and volatility of available for sale investments
- *foreign exchange*: changes in exchange rates between functional and non-functional currencies
- *interest rates*: changes in the level, shape and volatility of yield curves

and to the correlation of market prices and rates within and across markets.

Market risks of the Company are managed within set limits by the Risk Management Group.

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****19. FINANCIAL RISK MANAGEMENT (CONTINUED)**Interest Rate Risk

The Company has exposure to non-traded interest rate risk generated by changes in interest rates for financial assets held. The sensitivity of profit before tax has been calculated by determining the annual change in interest income as a result of an estimated basis point movement in interest rates.

	2008	
	Movement in interest rates	Sensitivity of profit before tax
		£
<b>AUD</b>	+50 bps	2,274
	- 50 bps	(2,274)
<b>DKK</b>	+50 bps	(285)
	- 50 bps	285
<b>EUR</b>	+50 bps	(158)
	- 50 bps	158
<b>GBP</b>	+50 bps	(117,158)
	- 50 bps	117,158
<b>HKD</b>	+50 bps	9,580
	- 50 bps	(9,580)
<b>JPY</b>	+50 bps	1,131
	- 50 bps	(1,131)
<b>KRW</b>	+50 bps	61,335
	- 50 bps	(61,335)
<b>USD</b>	+50 bps	(113,264)
	- 50 bps	113,264
<b>ZAR</b>	+50 bps	(14)
	- 50 bps	14

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****19. FINANCIAL RISK MANAGEMENT (CONTINUED)**Foreign Exchange Risk

The Company has exposure to non-traded foreign rate risk generated by changes in exchange rates for financial assets held. The sensitivity of profit before tax and equity have been calculated by determining the annual change in value of foreign currency exposure as a result of an estimated basis point movement in exchange rates.

	Movement in fx rates	2008	
		Sensitivity of profit before tax	Sensitivity of equity
		£	£
<b>TWD</b>	+50 bps	(4,162)	-
	- 50 bps	4,162	-
<b>USD</b>	+50 bps	(2,005,462)	-
	- 50 bps	2,005,462	-
<b>ZAR</b>	+50 bps	(31)	-
	- 50 bps	31	-
<b>AED</b>	+50 bps	(634)	-
	- 50 bps	634	-
<b>AUD</b>	+50 bps	(197,985)	-
	- 50 bps	197,985	-
<b>CAD</b>	+50 bps	(346)	-
	- 50 bps	346	-
<b>DKK</b>	+50 bps	(5,689)	-
	- 50 bps	5,689	-
<b>EUR</b>	+50 bps	(8,132)	-
	- 50 bps	8,132	-
<b>GBP</b>	+50 bps	-	(213,886)
	- 50 bps	-	213,886
<b>HKD</b>	+50 bps	(47,452)	-
	- 50 bps	47,452	-
<b>JPY</b>	+50 bps	138,669	-
	- 50 bps	(138,669)	-
<b>KRW</b>	+50 bps	530,796	-
	- 50 bps	(530,796)	-
<b>NZD</b>	+50 bps	69	-
	- 50 bps	(69)	-
<b>SGD</b>	+50 bps	(102)	-
	- 50 bps	102	-

The sensitivity of equity for GBP relates to movements in the foreign currency translation reserve due to retranslation of the assets and liabilities within the Korean and Hong Kong branches, which have functional currencies KRW and HKD respectively.

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****19. FINANCIAL RISK MANAGEMENT (CONTINUED)**Equity Price Risk

The Company has exposure to equity price risk generated by the effect of changes in underlying equity prices for available for sale investments held. The sensitivity of equity has been calculated by determining the sensitivity to a 10% movement in equity prices.

		<b>2008</b>
	<b>Movement in equity price (%)</b>	<b>Sensitivity of equity</b>
		<b>£</b>
Unlisted		
Asia	+10	122,535
	-10	(122,535)

**20. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The carrying amount of financial assets and financial liabilities measured at amortised cost approximately equals their fair value.

**21. SHARE CAPITAL**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>AUTHORISED</b>		
10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
2,500,000 ordinary shares of £1 each	2,500,000	2,500,000
	<u>2,500,000</u>	<u>2,500,000</u>

**22. OPTION RESERVE**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
1 April	2,613,166	2,195,128
Option expense for the financial year	1,935,368	418,038
31 March	<u>4,548,534</u>	<u>2,613,166</u>

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****23. EMPLOYEE SHARE COMPENSATION**

Prior to the Group Restructure, the Macquarie Group operated an Employee Option Plan where options over MBL shares were granted to employees. This plan ceased on restructure date of 13 November 2007 and options on MBL shares were exchanged for options on MGL shares.

MGL now operates the Employee Option Plan ("the Plan"), which includes granting options to employees of MBL and its controlled entities. Staff eligible to participate are those of Associate Director level and above and certain consultants to the Company. At March 31, 2008 there were 79 employees (2007: 23) of the Company who were participants in the Plan. The options are measured at their grant dates based on their fair value and the number expected to vest. This amount is recognised as an expense evenly over the respective vesting periods and the equity provided is treated as a capital contribution. For the year ended 31 March 2008, compensation expense relating to the Plan totalled £1,935,368 (2007: £418,038).

Performance hurdles attached to the options issued to the Executive Officers are not taken into account when determining the fair value of the option at grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest.

The fair value of each option is estimated on the date of grant using a trinomial option pricing framework. The following key assumptions have been adopted for grants made in the current financial year, risk free interest rate: 7.0% (weighted average), expected life of options: four years, volatility of share price: 20% and dividend yield: 3.4% per annum.

The options are issued for no consideration and are granted at prevailing market prices. Prior to 21 November 2003, the exercise price of new options granted was generally based on the weighted average market price during the month prior to acceptance of employment for new employees or during the calendar month of June in respect of options granted as a result of annual promotions and compensation reviews. From 21 November 2003 until 25 November 2004, the exercise price of new options granted was generally based on the weighted average market price during the one week period prior to the date of grant of the options. From 26 November 2004, the exercise price of new options granted is generally based on the weighted average market price during the one week up to and including the date of grant of the options.

The following is a summary of options which have been granted pursuant to the Plan. MGL stock is quoted in Australian Dollars (A\$), and therefore the table is quoted in A\$:

	Number of options 2008	Weighted average exercise price 2008 \$	Number of options 2007	Weighted average exercise price 2007 \$
Outstanding at the beginning of the financial year	387,935	55.27	245,669	42.22
Granted during the financial year	393,681	72.52	213,095	62.62
Forfeited during the financial year	(23,335)	61.58	(5,034)	43.08
Exercised during the financial year	(256,453)	37.95	(65,795)	31.26
Transfers from related entities	987,664	51.12	-	-
Outstanding at the end of the financial year	1,489,492	59.96	387,935	55.27
Exercisable at the end of the financial year	240,666	43.36	19,500	29.03

**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****23. EMPLOYEE SHARE COMPENSATION (CONTINUED)**

For options exercised during the financial year the weighted average share price at the date of exercise was A\$80.90 (2007: A\$65.51).

The range of exercise prices for options outstanding at the end of the financial year was A\$21.66 to A\$87.77 (2007: A\$21.12 to A\$82.57).

The weighted average remaining contractual life for the share options outstanding as at 31 March 2008 is 3.0 years (2007: 3.6 years).

The weighted average remaining contractual life when analysed by exercise price range is:

<b>Exercise price range (A\$)</b>	<b>Number of options 2008</b>	<b>Year 2008</b>	<b>Number of options 2007</b>	<b>Year 2007</b>
20 – 30	48,840	0.7	28,174	1.4
30 – 40	214,454	1.4	60,436	2.4
40 – 50	16,711	2.0	5,000	2.7
50 – 60	4,000	4.9	-	-
60 – 70	758,088	2.9	286,325	4.1
70 – 80	417,399	4.3	4,000	4.1
80 – 90	30,000	4.2	4,000	4.9
90-100	-	-	-	-
	<b>1,489,492</b>	<b>3.0</b>	<b>387,935</b>	<b>3.6</b>

The weighted average fair value of options granted during the financial year was A\$11.77 (2007: A\$12.35).

The market value of shares issued during the year as a result of the exercise of these options was A\$20,579,550 (2007: A\$4,310,230).

The market value of shares which would be issued from the exercise of the outstanding options at 31 March 2008 was A\$78,674,969 (2007: A\$32,101,621). No unissued shares, other than those referred to above, are under option as at the date of this report.

Options granted vest as to one third of each tranche after the second, third and fourth anniversaries of the date of commencement of employment for new starters and, for existing employees, on 1 July two, three and four years after the allocation of the options. Subject to staff trading rules, options can be exercised after the vesting period at any time up to expiry. In individual cases, such as where an employee leaves with the Company's agreement towards the end of a vesting period, the Company's Executive Committee has the power to waive the remainder of any vesting period and allow exercise of some or all of the relevant options.



**MACQUARIE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****24. OTHER RESERVES**

	2008 £	2007 £
<b>Foreign currency translation reserve</b>		
Opening balance	630,759	387,650
Foreign currency translation gain / (loss)	(248,204)	243,109
Closing foreign currency translation reserve	<u>382,555</u>	<u>630,759</u>
<b>Available for sale reserve</b>		
Opening balance	13,938	-
Fair value gain / (loss)	-	13,938
Disposal	(13,938)	-
Closing available for sale reserve	<u>-</u>	<u>13,938</u>
	<u><u>382,555</u></u>	<u><u>644,697</u></u>

Exchange differences arising from the translation the Company's foreign branches, which have currencies of operation other than sterling, are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end.

The Company holds one available for sale investment at year end, Global Star Korea Fund L.P. As the fair value of the fund cannot be reliably measured the investment is held at cost and therefore there is no balance within the available for sale reserve.

**25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**

	2008 £	2007 £
Opening shareholders' funds	21,518,822	12,377,510
Movement in options reserve	1,935,368	418,038
Movements in other reserves	(262,142)	257,047
Retained profit for the year	6,605,622	8,466,227
Dividends	(8,000,000)	-
Closing shareholders' funds	<u><u>21,797,670</u></u>	<u><u>21,518,822</u></u>

**26. FINANCIAL COMMITMENTS**

The Company has entered into lease agreements for office space and vehicles which are accounted for as operating leases. At 31 March 2008, future lease payments under the operating leases are as follows:

	2008 £	2007 £
Within 1 year	2,447,520	627,548
Between 2 and 5 years	8,641,105	30,051
	<u><u>11,088,625</u></u>	<u><u>657,599</u></u>

**MACQUARIE INTERNATIONAL LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008  
(CONTINUED)****27. ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking and controlling party of Macquarie International Limited, which is the parent undertaking of the largest group to prepare consolidated financial statements, is Macquarie Group Limited, a company incorporated in Australia. Copies of group financial statements for Macquarie Group Limited can be obtained from the Company Secretary, Level 7, No. 1 Martin Place, Sydney, New South Wales, 2000, Australia.

**28. RELATED PARTY TRANSACTIONS**

As 100% of the voting rights of the Company are controlled within the group headed by Macquarie Group Limited, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of Macquarie Group Limited, within which the Company is included, can be obtained from the address given in Note 27.

**29. CASH FLOW STATEMENT**

The Company was a wholly owned subsidiary within the Macquarie Group Limited group throughout the year and is included in the consolidated financial statements of Macquarie Group Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of the FRS 1 (revised 1996).

**30. POST BALANCE SHEET DATE EVENTS**

Post year end, the Company invested a further USD 1,273,690 in Global Star Korea Fund L.P.