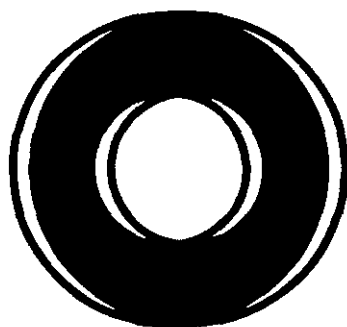


Company Registration Number : 1802574

MACQUARIE INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2003**



MACQUARIE



MACQUARIE INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

CONTENTS	PAGE
General information	1
Directors' report	2-3
Independent auditors' report	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Notes to the financial statements	8-17

MACQUARIE INTERNATIONAL LIMITED

GENERAL INFORMATION**Directors**

P Kirk
A J Downe
J Walker
B Preston
T Y Song
A R L E Camu (resigned 8 May 2003)
J Roberts (resigned 5 September 2003)
J Craig (appointed 5 September 2003)

Secretary

D Walmsley (resigned 28 August 2003)
R Tallentire (appointed 28 August 2003)

Registered Office

Level 30
CityPoint
1 Ropemaker Street
London EC2Y 9HD

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Company number: 1802574

MACQUARIE INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for Macquarie International Limited ("the Company") for the year ended 31 March 2003.

REVIEW OF THE BUSINESS

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

During the year, the Company commenced energy markets trading activity from its United Kingdom operations.

The principal activities of the Korean branch include property advisory, services in relation to financial advisory and financial derivative trading. Certain activities of the Company undertaken in the prior year relating to physical gold trading have been suspended until the resolution of an outstanding VAT issue with the Korean tax authorities.

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

Macquarie Finance (UK) Limited, a wholly owned subsidiary undertaking of the Company, did not undertake any activities during the year. The Company, together with this subsidiary undertaking, form the Macquarie International Limited group of companies ("the group").

RESULTS AND DIVIDENDS

The group's loss for the financial year is £245,694 (2002: £521,129 profit). No dividend is proposed (2002: £ Nil).

DIRECTORS AND THEIR INTERESTS

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

P Kirk
A J Downe
J Walker
B Preston
T Y Song
A R L E Camu (resigned 8 May 2003)
J Roberts (resigned 5 September 2003)
J Craig (appointed 5 September 2003)

None of the directors had an interest in any material contract with the Company during the year. None of the directors held interests in the shares of the Company during the year.

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

DIRECTORS' REPORT (CONTINUED)**AUDITORS**

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 1 December 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as 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.

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.

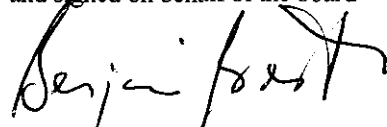
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial year and of the profit or loss for the financial year. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Approved by the board of directors
and signed on behalf of the board



B Preston
Director

8 December 2003

MACQUARIE INTERNATIONAL LIMITED

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

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention, as modified by the revaluation of bullion and financial derivative instruments to market value, and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the general information and the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the Company and the group at 31 March 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
08 December 2003

MACQUARIE INTERNATIONAL LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 £	2002 £
TURNOVER			
- Continuing operations		2,875,596	3,137,007
- Discontinued operations		-	22,771
		<u>2,875,596</u>	<u>3,159,778</u>
ADMINISTRATIVE EXPENSES			
- Continuing operations		(2,708,705)	(2,600,596)
- Discontinued operations		-	(15,138)
		<u>(2,708,705)</u>	<u>(2,615,734)</u>
Other operating (charges)/income		(66,708)	13,528
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		<u>100,183</u>	<u>557,572</u>
Exceptional items – discontinued operations	3	-	31,847
OPERATING PROFIT INCLUDING EXCEPTIONAL ITEMS		<u>100,183</u>	<u>589,419</u>
Interest receivable and similar income	4	133,302	846,841
Interest payable and similar charges	5	<u>(340,088)</u>	<u>(679,822)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(106,603)	756,438
Tax on (loss)/profit on ordinary activities	7	<u>(139,091)</u>	<u>(235,309)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(245,694)	521,129
RETAINED PROFIT BROUGHT FORWARD		<u>1,395,671</u>	<u>874,542</u>
RETAINED PROFIT CARRIED FORWARD		<u>1,149,977</u>	<u>1,395,671</u>

The notes on pages 8 to 17 form part of these financial statements.

A statement of total recognised gains and losses has not been provided as all gains and losses are dealt with in the profit and loss account.

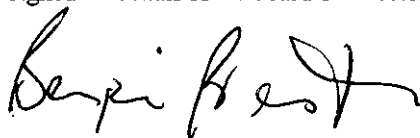
MACQUARIE INTERNATIONAL LIMITED**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2003**

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible Assets	10	<u>111,447</u>	<u>66,658</u>
		111,447	66,658
CURRENT ASSETS			
Loans	12	75,813	-
Debtors	13	6,569,468	5,428,988
Other assets	14	1,294,782	1,405,333
Cash at bank and in hand	15	<u>2,523,777</u>	<u>2,465,929</u>
		10,463,840	9,300,250
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	16	(6,925,310)	(5,471,237)
NET CURRENT ASSETS			
		<u>3,538,530</u>	<u>3,829,013</u>
TOTAL NET ASSETS			
		<u>3,649,977</u>	<u>3,895,671</u>
CAPITAL AND RESERVES			
Called up share capital	17	2,500,000	2,500,000
Profit and loss account		<u>1,149,977</u>	<u>1,395,671</u>
SHAREHOLDERS' FUNDS			
	18	<u>3,649,977</u>	<u>3,895,671</u>

The notes on pages 8 to 17 form part of these financial statements.

These financial statements were approved by the board on 8 December 2003.

Signed on behalf of the board of directors



B Preston
Director

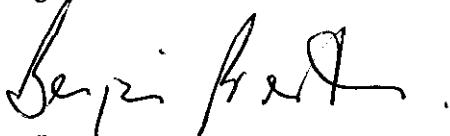
MACQUARIE INTERNATIONAL LIMITED**COMPANY BALANCE SHEET AS AT 31 MARCH 2003**

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	10	111,447	66,658
Investments	11	200,000	200,000
		<u>311,447</u>	<u>266,658</u>
CURRENT ASSETS			
Loans	12	75,813	-
Debtors	13	6,569,468	5,428,988
Other assets	14	1,294,782	1,405,333
Cash at bank and in hand	15	2,523,777	2,465,929
		<u>10,463,840</u>	<u>9,300,250</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(7,124,955)	(5,670,882)
NET CURRENT ASSETS		<u>3,338,885</u>	<u>3,629,368</u>
TOTAL NET ASSETS		<u>3,650,332</u>	<u>3,896,026</u>
CAPITAL AND RESERVES			
Called up share capital	17	2,500,000	2,500,000
Profit and loss account		1,150,332	1,396,026
SHAREHOLDERS' FUNDS	18	<u>3,650,332</u>	<u>3,896,026</u>

The notes on pages 8 to 17 form part of these financial statements.

These financial statements were approved by the board on 8 December 2003.

Signed on behalf of the board of directors



B Preston
Director

MACQUARIE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with Schedule 4 to the Companies Act 1985, as modified by the revaluation of bullion and financial derivative instruments to market value as disclosed below, and with applicable accounting standards.

The particular policies adopted are described below as follows:

a) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of the Company and its subsidiary undertaking, Macquarie Finance (UK) Limited as at 31 March 2003 and the results of these entities for the year then ended. The effects of all transactions between these entities are eliminated in full.

In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account of the Company is not presented. The Company's loss for the year ended 31 March 2003 was £245,694 (2002: £497,551 profit).

b) TURNOVER

Turnover for the year comprises:

- (i) Management and other fee income, which is brought to account as work is completed and a fee is agreed with clients;
- (ii) Gains and losses arising from the energy trading business, including gains and losses arising from the market value revaluation of the Company's positions in futures, exchange traded options and over-the-counter options; and
- (iii) Amounts relating to the facilitation of staff secondments to overseas companies within the Macquarie Bank Limited group, which are brought to account in accordance with agreements in place.

c) OTHER OPERATING (CHARGES)/INCOME

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

The objective of Financial Reporting Standard 18 is to ensure that accounting policies give a true and fair view, are reviewed regularly and are changed when a new policy becomes more appropriate. In prior years, the Company disclosed gains and losses arising from foreign currency exposure within turnover. In the directors' opinion, gains and losses arising from foreign currency exposure are more appropriately disclosed as other operating income or charges and the Company has adopted this change in accounting policy in the current year. The prior period comparatives have been re-stated to enhance comparability.

d) INTEREST

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

MACQUARIE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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 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) 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
Vehicles	25% per annum

In October 2002, the depreciation rate applicable for new computers was increased from the standard 33% to 50%. This new rate was introduced to reflect the useful economic life of computer equipment and ensure consistency amongst all entities within the Macquarie Bank Limited group of companies. The effect of the rate increase on the Company's results is not material.

g) IMPAIRMENT

Tangible fixed assets are reviewed for impairment if there are events or changes in circumstances that indicate that the carrying values may not be recoverable.

h) FIXED ASSET INVESTMENTS

Investments, including investments in subsidiary undertakings, are recorded at cost. 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 recoverable amount.

i) BULLION

Bullion represents holdings of metals that are held for trading purposes. Bullion held as current trading assets are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit for the year of the Company since the marketability of the bullion enables decisions to be taken continually about whether to hold or sell the stock and hence the economic measure of profit in any period is made by reference to market values.

It is not practicable to quantify the effect on the financial statements of this departure, since information on original cost, being of no continuing relevance to the business, is not available.

MACQUARIE INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****1. ACCOUNTING POLICIES (CONTINUED)****j) FINANCIAL DERIVATIVES**

Financial derivatives include positions in derivative products such as futures, exchange traded options and over-the-counter options. Movements in the market value of the underlying instrument are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit for the year of the Company since the marketability of the financial instruments enables decisions to be taken continually about whether to hold, buy or sell such positions and hence the economic measure of profit in any period is made by reference to market values.

It is not practicable to quantify the effect on the financial statements of this departure, since information on original cost, being of no continuing relevance to the business, is not available.

k) CASH AT BANK AND IN HAND

Cash at bank and in hand comprises cash on hand, deposits held at call with banks and other short-term highly liquid investments.

l) FOREIGN CURRENCIES

Transactions of the Company, its overseas branches and its subsidiary undertaking, in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. 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.

2. SEGMENTAL REPORTING**Geographical Segments**

GROUP	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets	
	2003 £	2002 £	2003 £	2002 £	2003 £	2002 £
Hong Kong	137,665	60,122	1,458	59,015	39,463	59,015
Korea	2,666,120	3,076,640	636,858	375,344	563,879	375,590
United Kingdom	71,811	23,016	(744,919)	322,079	3,046,635	3,461,066
	<u>2,875,596</u>	<u>3,159,778</u>	<u>(106,603)</u>	<u>756,438</u>	<u>3,649,977</u>	<u>3,895,671</u>

MACQUARIE INTERNATIONAL LIMITED
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)**
2. SEGMENTAL REPORTING (CONTINUED)
Geographical Segments (continued)

COMPANY	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets	
	2003 £	2002 £	2003 £	2002 £	2003 £	2002 £
Hong Kong	137,665	60,122	1,458	59,015	39,463	59,015
Korea	2,666,120	3,076,640	636,858	375,344	563,879	375,590
United Kingdom	71,811	245	(744,919)	294,134	3,046,990	3,461,421
	<u>2,875,596</u>	<u>3,137,007</u>	<u>(106,603)</u>	<u>728,493</u>	<u>3,650,332</u>	<u>3,896,026</u>

Business Segments

GROUP	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2003 £	2002 £	2003 £	2002 £	2003 £	2002 £
Bullion	(3,155)	1,261,335	(187,431)	173,616	(3,909)	158,237
Corporate advisory	847,093	1,521,030	694,040	133,972	626,097	133,972
Energy markets	70,818	-	(690,022)	-	(690,022)	-
Leasing	-	22,771	-	27,945	-	-
Property	1,605,270	115,411	1,030,865	5,888	1,036,753	5,888
Other	355,570	239,231	(954,055)	415,017	2,681,058	3,597,574
	<u>2,875,596</u>	<u>3,159,778</u>	<u>(106,603)</u>	<u>756,438</u>	<u>3,649,977</u>	<u>3,895,671</u>

COMPANY	Turnover		Profit/(loss) on ordinary activities before taxation		Net assets/(liabilities)	
	2003 £	2002 £	2003 £	2002 £	2003 £	2002 £
Bullion	(3,155)	1,261,335	(187,431)	173,616	(3,909)	158,237
Corporate advisory	847,093	1,521,030	694,040	133,972	626,097	133,972
Energy markets	70,818	-	(690,022)	-	(690,022)	-
Property	1,605,270	115,411	1,030,865	5,888	1,036,753	5,888
Other	355,570	239,231	(954,055)	415,017	2,681,413	3,597,929
	<u>2,875,596</u>	<u>3,137,007</u>	<u>(106,603)</u>	<u>728,493</u>	<u>3,650,332</u>	<u>3,896,026</u>

MACQUARIE INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****3. EXCEPTIONAL ITEMS – DISCONTINUED OPERATIONS**

Macquarie Finance (UK) Limited, a wholly owned subsidiary of Macquarie International Limited, operated the business of leasing office furniture, fittings and equipment to other companies within the Macquarie Bank Limited group. This company ceased this activity in the prior year. The net profit arising from the cessation of these activities, comprising the revenues and costs directly related to the termination of the leasing operation, was £31,847.

The turnover and administrative expenses of the discontinued business arising in the prior year have been separately disclosed in the profit and loss account.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group 2003 £	Group 2002 £
Interest receivable from ultimate parent undertaking	68,007	845,138
Interest receivable from other Macquarie Bank Limited group undertakings	51,750	-
Interest receivable from unrelated parties	13,545	1,703
	<u>133,302</u>	<u>846,841</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2003 £	Group 2002 £
Interest payable to ultimate parent undertaking	194,756	653,081
Interest payable to other Macquarie Bank Limited group undertakings	5,146	-
Interest payable to unrelated parties	140,186	26,741
	<u>340,088</u>	<u>679,822</u>

6. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss/(profit) on ordinary activities before taxation is stated after charging/(crediting):-

	Group 2003 £	Group 2002 £
Foreign exchange losses/(gains)	66,708	(13,528)
Staff costs	966,959	1,366,291
Depreciation charges	24,040	22,420
Auditors' remuneration;		
Statutory audit	29,299	5,972
Fees for non-audit services	37,774	7,109

The average number of persons employed by the Company during the year calculated on a quarterly basis was 35 (2002: 22). This figure will include persons employed by Macquarie International Limited and seconded to other legal entities within the Macquarie Bank Limited group.

MACQUARIE INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES****Analysis of tax charge for the year**

	Group	Group
	2003	2002
	£	£
Current tax:		
UK corporation tax at 30% (2002: 30%)	-	230,942
Macquarie Bank Limited group losses surrendered to the Company	(39,483)	-
Adjustments to tax in respect of prior years	(23,491)	4,367
Foreign tax	202,065	-
Total current tax	<u>139,091</u>	<u>235,309</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustments to tax in respect of prior years	-	-
	<u>-</u>	<u>-</u>
Tax on (loss)/profit on ordinary activities	<u>139,091</u>	<u>235,309</u>

Factors affecting tax charge for the year

The taxation charge for the year ended 31 March 2003 is higher (2002: higher) than the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:

	2003	2002
	£	£
(Loss)/profit on ordinary activities before taxation	(106,603)	756,438
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2002: 30%)	(31,981)	226,932
Effects of:		
Losses not utilised during the year	31,981	-
Tax expense relating to foreign branch operations	202,065	-
Expenses not deductible for tax purposes	-	12,394
Accounting income not assessable for tax purposes	-	(8,384)
Macquarie Bank Limited group losses surrendered to the Company for nil consideration in respect of prior years	(39,483)	-
Adjustments to tax in respect of prior years	(23,491)	4,367
	<u>139,091</u>	<u>235,309</u>

A tax credit of £39,483 arose in the year ended 31 March 2003, being 30% of losses surrendered to the Company by fellow subsidiary undertakings within the Macquarie Bank Limited group of companies. No payment for this surrender is to be made by the Company.

MACQUARIE INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003 (CONTINUED)

8. DEFERRED TAX

The Company has a loss for the year ended 31 March 2003 of £106,603 which, at the current tax rate of 30%, could cause a potential deferred tax asset of £31,981 (2002: £nil). Deferred tax assets should only be recognised where it can be regarded as more likely than not that there will be suitable taxable profits from which a future reversal of the underlying timing differences can be deducted. In the opinion of the directors this is currently not the case and therefore no asset is recognised in the financial statements.

9. DIRECTORS' REMUNERATION

All directors of the Company are directors of other members of the Macquarie Bank Limited group and it is considered that an insignificant amount of their time as directors relates to Macquarie International Limited. Accordingly, no separate remuneration has been disclosed and their total emoluments are set out in the consolidated financial statements of Macquarie Bank Limited, copies of which are available as described in note 19.

10. TANGIBLE FIXED ASSETS

GROUP and COMPANY	Office furniture, fixtures, fittings and computers 2003 £	Vehicles 2003 £	Total 2003 £
COST			
At 1 April 2002	20,897	53,043	73,940
Additions	57,039	19,748	76,787
Disposals	(12,657)	-	(12,657)
At 31 March 2003	<u>65,279</u>	<u>72,791</u>	<u>138,070</u>
ACCUMULATED DEPRECIATION			
At 1 April 2002	3,967	3,315	7,282
Charge for the period	7,899	16,141	24,040
Disposals	(4,699)	-	(4,699)
At 31 March 2003	<u>7,167</u>	<u>19,456</u>	<u>26,623</u>
NET BOOK AMOUNT			
31 March 2003	<u>58,112</u>	<u>53,335</u>	<u>111,447</u>
31 March 2002	<u>16,930</u>	<u>49,728</u>	<u>66,658</u>

11. FIXED ASSET INVESTMENTS

	Company 2003 £	2002 £
Cost and net book amount:		
Shares in subsidiary undertaking	<u>200,000</u>	<u>200,000</u>

Shares in subsidiary undertaking represents the 100% investment in the unlisted company, Macquarie Finance (UK) Limited. Macquarie Finance (UK) Limited did not undertake any activities during the year.

MACQUARIE INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****12. LOANS**

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Loans	<u>75,813</u>	<u>-</u>	<u>75,813</u>	<u>-</u>

The loans disclosed above have been made to an employee of the Company's Korean branch.

13. DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
VAT recoverable	4,025,149	2,462,180	4,025,149	2,462,180
Taxation	127,796	8,609	127,796	8,609
Fees receivable	637,266	1,596,796	637,266	1,596,796
Amounts owed by other Macquarie				
Bank Limited group undertakings	1,354,540	1,264,961	1,354,540	1,264,961
Other debtors	<u>424,717</u>	<u>96,442</u>	<u>424,717</u>	<u>96,442</u>
	<u>6,569,468</u>	<u>5,428,988</u>	<u>6,569,468</u>	<u>5,428,988</u>

Amounts owed by other 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 2003, the rate applied was *LIBOR* plus 2%.

On 10 May 2002 the Korean tax authorities advised the Korean 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. At 31 March 2003, the sterling equivalent of the VAT recoverable reported in the net amount above, which is the subject of this dispute, is £4,333,276.

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 until the matter is satisfactorily resolved.

MACQUARIE INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****14. OTHER ASSETS**

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bullion stock	-	1,405,333	-	1,405,333
Unrealised gains from revaluing financial derivatives	1,294,782	-	1,294,782	-
	<u>1,294,782</u>	<u>1,405,333</u>	<u>1,294,782</u>	<u>1,405,333</u>

As part of its energy trading book, the Company holds positions in futures, exchange traded options and over-the-counter options. The counterparty for these positions is the ultimate parent undertaking, Macquarie Bank Limited.

15. CASH AT BANK AND IN HAND

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Petty cash	232	809	232	809
Cash held with ultimate parent undertaking	2,300,000	2,300,000	2,300,000	2,300,000
Cash held with other banks	223,545	165,120	223,545	165,120
	<u>2,523,777</u>	<u>2,465,929</u>	<u>2,523,777</u>	<u>2,465,929</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Borrowings	2,269,232	2,365,423	2,269,232	2,365,423
Taxation	147,008	286,447	147,008	286,447
Amounts owed to ultimate parent undertaking	4,110,579	1,351,021	4,110,224	1,350,666
Amounts owed to subsidiary undertaking	-	-	200,000	200,000
Amounts owed to other Macquarie Bank Limited group undertakings	328,078	964,169	328,078	964,169
Other creditors	70,413	504,177	70,413	504,177
	<u>6,925,310</u>	<u>5,471,237</u>	<u>7,124,955</u>	<u>5,670,882</u>

Borrowings comprise amounts borrowed by the Korean branch of the Company and includes interest accrued. The borrowings incur interest at market rates and at 31 March 2003 the rate applied was 5.85%. The borrowings matured on 9 June 2003.

Amounts owed to the United Kingdom incorporated subsidiary undertaking are unsecured and have no fixed date of repayment. Although no interest has been charged in the current year, the subsidiary undertaking has the right to charge interest at a future date in respect of the current and previous years at the appropriate market rates.

Amounts owed to the ultimate parent undertaking and to other overseas group undertakings are unsecured and have no fixed date of repayment. Interest on cross-border intercompany deposits is incurred at market rates and at 31 March 2003, the rate applied was LIBOR plus 2%.

MACQUARIE INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
(CONTINUED)****17. SHARE CAPITAL**

	Company 2003 £	Company 2002 £
AUTHORISED		
10,000,000 ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
2,500,000 ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Opening shareholders' funds	3,895,671	3,374,542	3,896,026	3,398,475
Retained (loss)/profit for the year	<u>(245,694)</u>	<u>521,129</u>	<u>(245,694)</u>	<u>497,551</u>
Closing shareholders' funds	<u>3,649,977</u>	<u>3,895,671</u>	<u>3,650,332</u>	<u>3,896,026</u>

19. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking and controlling party of Macquarie International Limited, which is the parent undertaking of the smallest and the largest group to prepare consolidated financial statements, is Macquarie Bank Limited, a company incorporated in Australia. Copies of group financial statements for Macquarie Bank Limited can be obtained from the Company Secretary, Level 15, No. 1 Martin Place, Sydney, New South Wales, 2000, Australia.

20. SUBSIDIARY UNDERTAKINGS

The consolidated financial statements include Macquarie Finance (UK) Limited, a wholly owned subsidiary incorporated in the United Kingdom. Macquarie Finance (UK) Limited did not undertake any activities during the year.

21. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under Financial Reporting Standard 8, paragraph 3(c), not to disclose related party transactions with members of the Macquarie Bank Limited group as it is a wholly owned subsidiary within the Macquarie Bank Limited group.

22. CASH FLOW STATEMENT

The Company was a wholly owned subsidiary within the Macquarie Bank Limited group throughout the year and is included in the consolidated financial statements of Macquarie Bank 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 Financial Reporting Standard 1 (revised 1996).