

MACQUARIE GROUP LIMITED

ACN 122 169 279

**INTERIM DIRECTORS' REPORT AND FINANCIAL REPORT
HALF YEAR ENDED 30 SEPTEMBER 2007**



This interim financial report has been prepared in accordance with Australian Accounting Standards and does not include all the notes of the type normally included in an annual financial report.

This interim report should be read in conjunction with the annual financial report of Macquarie Group Limited for 31 March 2007 which was also prepared in accordance with Australian Accounting Standards.

MACQUARIE GROUP LIMITED

and its controlled entities

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DIRECTORS' REPORT FOR THE HALF YEAR ENDED 30 SEPTEMBER 2007

In accordance with a resolution of the Directors of Macquarie Group Limited ("the Company"), the Directors submit herewith the balance sheet as at 30 September 2007, the income statement, the statement of changes in equity and the cash flow statement of the Company and its controlled entities (together "the economic entity") for the half year ended on that date ("the period") and report as follows:

DIRECTORS

At the date of this report the Directors of the Company are:

D.S. Clarke, AO	(appointed 30 August 2007)
L.G. Cox, AO	(appointed 30 August 2007)
P.M. Kirby	(appointed 30 August 2007)
C.B. Livingstone	(appointed 30 August 2007)
H.K. McCann, AM	(appointed 30 August 2007)
A.E. Moss, AO	(appointed 30 August 2007)
J.R. Niland, AC	(appointed 30 August 2007)
H.M. Nugent, AO	(appointed 30 August 2007)
P.H. Warne	(appointed 30 August 2007)

Mr S.J. Dyson, Mr W.R. Sheppard and Mr G.C. Ward were Directors of the Company until 30 August 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the half year ended 30 September 2007 was to act as a holding company.

RESULT

The financial report for the half year ended 30 September 2007, and the results herein, are prepared in accordance with Australian Accounting Standards.

The consolidated profit attributable to ordinary equity holders, in accordance with Australian Accounting Standards, for the period was \$Nil (31 March 2007: \$Nil).

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DIRECTORS' REPORT (continued) FOR THE HALF YEAR ENDED 30 SEPTEMBER 2007

EVENTS OCCURRING AFTER REPORTING DATE

On 13 November 2007, the Macquarie Group will restructure into a non-operating holding company structure. This follows receipt of the requisite approvals by Macquarie Bank Limited ('MBL') shareholders and optionholders, as well as the Federal Treasurer, Australian Prudential Regulation Authority and the Federal Court of Australia. This restructure results in the Company being established as the ultimate parent of the Macquarie Group. The Macquarie Group will comprise two separate sub-groups, a Banking Group and a Non-Banking Group.

Under the restructure, following MBL becoming a controlled entity of Macquarie Group Limited ('MGL'), MBL will sell certain Non-Banking Group controlled entities to MGL for fair value at the restructure date. The bulk of the profits on sale of these controlled entities will be distributed by MBL via dividends to MGL. MBL has also obtained shareholder approval to reduce its capital by \$3.0 billion. The funds received by MGL from these transactions will be contributed to the capital base of the Non-Banking Group and help finance the acquisition of the assets from MBL by the Non-Banking Group. MBL will also pay a dividend to MGL of \$2.25 billion and MGL will simultaneously subscribe the same amount to MBL as a capital injection. These transactions are expected to occur on 16 November 2007. Subsequently, a new holding company (Macquarie B.H. Pty Limited) will be introduced between MGL and MBL on or about 19 November 2007. All of these transactions will be internal to the Macquarie group of companies and will not impact incoming MGL ordinary shareholders.

Ordinary shareholders and optionholders of MBL will hold one MGL ordinary share/option for each ordinary share/option they held in MBL prior to implementation of the restructure.

The restructure will be accounted for as a reverse acquisition in MGL's 31 March 2008 consolidated financial statements, with MBL identified as the acquirer in accordance with AASB 3 *Business Combinations*. MGL's consolidated financial statements will be presented as a continuation of the Macquarie Group.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend for the half year ending 30 September 2007 of \$1.45 per ordinary share, 100% franked at 30%. This will be the first dividend paid by the Company.

Macquarie B.H. Pty Limited, a controlled entity of MGL, will pay a corresponding amount to the Company having received this amount from Macquarie Bank Limited.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the Act, is set out on page 5 of this report.

This report is made in accordance with a resolution of the Directors.



David Clarke
Non-Executive Chairman



Allan Moss
Managing Director

Sydney
12 November 2007

Auditor's Independence Declaration

As lead auditor for the review of Macquarie Group Limited for the half year ended 30 September 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie Group Limited and the entities it controlled during the period.



Ian Hammond
Partner
PricewaterhouseCoopers

Sydney
12 November 2007

MACQUARIE GROUP LIMITED*and its controlled entities***Consolidated income statement
for the half year ended 30 September 2007**

	Notes	Half year to 30 Sep 2007 \$	12 Oct 2006 to 31 Mar 2007 \$
Total income from ordinary activities	2	-	-
Total expenses from ordinary activities	2	-	-
Operating profit before income tax		-	-
Income tax expense	3	-	-
Profit attributable to ordinary equity holders of Macquarie Group Limited		-	-

The above consolidated income statement should be read in conjunction with the accompanying notes.

MACQUARIE GROUP LIMITED
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Consolidated balance sheet
as at 30 September 2007

	Notes	As at 30 Sep 2007 \$	As at 31 Mar 2007 \$
ASSETS			
Other assets	5	2	2
Total assets		2	2
LIABILITIES			
Total liabilities		-	-
Net assets		2	2
EQUITY			
Contributed equity			
Ordinary share capital	6	2	2
Total equity		2	2

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

MACQUARIE GROUP LIMITED

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Consolidated statement of changes in equity for the half year ended 30 September 2007

	Half year to 30 Sep 2007 \$	12 Oct 2006 to 31 Mar 2007 \$
Total equity at the beginning of the period	2	-
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	-	2
Total equity at the end of the period	2	2
Total recognised income and expense for the period is attributable to:		
Ordinary equity holders of Macquarie Group Limited	-	-
Total recognised income and expense for the period	-	-

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

MACQUARIE GROUP LIMITED*and its controlled entities***Consolidated cash flow statement
for the half year ended 30 September 2007**

	Notes	Half year to 30 Sep 2007 \$	12 Oct 2006 to 31 Mar 2007 \$
Net cash flows from operating activities	7	-	-
Net cash flows from investing activities		-	-
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period	7	-	-

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

MACQUARIE GROUP LIMITED

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Notes to the financial statements

30 September 2007

1. Basis of preparation

This general purpose financial report for the interim half year reporting period ended 30 September 2007 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report comprises the consolidated financial report of Macquarie Group Limited (“the Company”) and the entities it controlled at the end of, or during, the period (together, “the economic entity”).

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the period ended 31 March 2007 and any public announcements made by the Company during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies are consistent with those of the previous financial period, unless otherwise stated. Reference should be made to Macquarie Group Limited’s annual financial report for 31 March 2007 for a complete list of the Company’s accounting policies. Comparative figures are for the period 12 October 2006 (Incorporation date) to 31 March 2007.

2. Profit for the financial period

The Company and its controlled entities did not derive any income or incur any expenses in its capacity as a holding company. The Company has no employees.

3. Income tax expense

The Company and controlled entities did not derive any income or incur any expenses in its capacity as holding company and accordingly no current or deferred income tax expense or benefit were derived and recognised in the income statement or directly in equity.

	Half year to 30 Sep 2007	12 Oct 2006 to 31 Mar 2007
	\$	\$

4. Dividends paid and distributions paid or provided

Dividends paid or provided	-	-
Distributions paid or provided	-	-
Total dividends paid and distributions paid or provided	-	-

The Group’s Dividend Reinvestment Plan (“DRP”) remains activated. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs, at a 2.5% discount to the prevailing market value. A shareholder can elect to participate in or terminate their involvement in the DRP at any time.

Dividends not recognised at the end of the half year

Since the end of the half year, the Directors have resolved to pay an interim dividend for the half year ending 30 September 2007 of \$1.45 per fully paid ordinary shares, 100% franked at 30%. The aggregate amount of the interim dividend to be paid on 30 January 2008 but not recognised as a liability at half year end, is currently estimated to be approximately \$393 million. This amount has been estimated based on the number of shares eligible to participate as at 30 September 2007.

Macquarie B.H. Pty Limited, a controlled entity of the Macquarie Group Limited, will pay a corresponding amount to the Company having received this amount from Macquarie Bank Limited.

	As at 30 Sep 2007	As at 31 Mar 2007
	\$	\$

5. Other assets

Due from:

Ultimate chief entity	2	2
Total other assets	2	2

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Notes to the financial statements

30 September 2007

	As at 30 Sep 2007 \$	As at 31 Mar 2007 \$
6. Contributed equity		
Ordinary share capital		
Opening balance of 2 (March 2007: 0) fully paid ordinary shares	2	-
Issue of 2 fully paid ordinary shares 12 October 2006	-	2
Closing balance of 2 (March 2007: 2) fully paid ordinary shares	2	2

7. Notes to the cash flow statement

Reconciliation of cash

Cash at the end of the period as shown in the cash flow statement is reconciled to related items in the Balance Sheet as follows:

Cash and cash equivalents at the end of the financial period	-	-
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities		
Profit from ordinary activities after income tax	-	-
Changes in assets and liabilities:	-	-
Net cash flows from operating activities	-	-

Financing arrangements

The Company has obtained a funding commitment comprising an \$8 billion senior unsecured bank debt financing facility ('Bank Facility'). Binding commitments for the Bank Facility with maturities ranging from one to five years have been received from a group of major international and Australian financial institutions. The Company has also received a \$10 billion two-year transitional bridge facility from Macquarie Bank Limited. At 30 September 2007, neither of the facilities had been used.

8. Contingent liabilities and assets

The Company and economic entity has no material commitments or contingent assets/liabilities.

9. Events occurring after the reporting date

On 13 November 2007, the Macquarie Group will restructure into a non-operating holding company structure. This follows receipt of the requisite approvals by Macquarie Bank Limited ('MBL') shareholders and optionholders, as well as the Federal Treasurer, Australian Prudential Regulation Authority and the Federal Court of Australia. This restructure results in the Company being established as the ultimate parent of the Macquarie Group. The Macquarie Group will comprise two separate sub-groups, a Banking Group and a Non-Banking Group.

Under the restructure, following MBL becoming a controlled entity of Macquarie Group Limited ('MGL'), MBL will sell certain Non-Banking Group controlled entities to MGL for fair value at the restructure date. The bulk of the profits on sale of these controlled entities will be distributed by MBL via dividends to MGL. MBL has also obtained shareholder approval to reduce its capital by \$3.0 billion. The funds received by MGL from these transactions will be contributed to the capital base of the Non-Banking Group and help finance the acquisition of the assets from MBL by the Non-Banking Group. MBL will also pay a dividend to MGL of \$2.25 billion and MGL will simultaneously subscribe the same amount to MBL as a capital injection. These transactions are expected to occur on 16 November 2007. Subsequently, a new holding company (Macquarie B.H. Pty Limited) will be introduced between MGL and MBL on or about 19 November 2007. All of these transactions will be internal to the Macquarie group of companies and will not impact incoming MGL ordinary shareholders.

Ordinary shareholders and optionholders of MBL will hold one MGL ordinary share/option for each ordinary share/option they held in MBL prior to implementation of the restructure.

The restructure will be accounted for as a reverse acquisition in MGL's 31 March 2008 consolidated financial statements, with MBL identified as the acquirer in accordance with AASB 3 *Business Combinations*. MGL's consolidated financial statements will be presented as a continuation of the Macquarie Group.

MACQUARIE GROUP LIMITED

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DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 11 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the economic entity's financial position as at 30 September 2007 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
- (b) there are reasonable grounds to believe that Macquarie Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



David Clarke
Non-Executive Chairman



Allan Moss
Managing Director

Sydney
12 November 2007

INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Macquarie Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macquarie Group Limited, which comprises the balance sheet as at 30 September 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Macquarie Group Limited Group (the consolidated entity). The consolidated entity comprises both Macquarie Group Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Macquarie Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Macquarie Group Limited (the Company) for the half-year ended 30 September 2007 included on Macquarie Group Limited's web site. The company's directors are responsible for the integrity of the Macquarie Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Macquarie Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Ian Hammond
Partner

Sydney
12 November 2007

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