

MACQUARIE INTERNATIONAL LIMITED

COMPANY NUMBER 01802574

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2017



The Company's registered office is:

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28 Ropemaker Street
London EC2Y 9HD
United Kingdom

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Macquarie International Limited

2017 Strategic Report, Directors' Report and Financial Statements

Contents

	Page
Strategic Report	2
Directors' Report	4
Independent Auditors' Report to the members of Macquarie International Limited	6
Financial Statements	
Profit and loss account	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the Financial Statements	
Note 1. General information	12
Note 2. Summary of significant accounting policies	12
Note 3. Profit on ordinary activities before taxation	17
Note 4. Interest receivable and similar income	17
Note 5. Interest payable and similar charges	17
Note 6. Taxation	17
Note 7. Investment securities available for sale	18
Note 8. Debtors	19
Note 9. Creditors: amounts falling due within one year	19
Note 10. Provisions for liabilities	19
Note 11. Called up share capital	20
Note 12. Other reserves and profit and loss account	20
Note 13. Related party information	21
Note 14. Directors' remuneration	21
Note 15. Employee equity participation	21
Note 16. Contingent liabilities and commitments	22
Note 17. Ultimate parent undertaking	22
Note 18. Employee information	22
Note 19. Events after the reporting period	22

Macquarie International Limited

Strategic Report for the financial year ended 31 March 2017

In accordance with a resolution of the directors (the "Directors") of Macquarie International Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities

The principal activity of the Company within the United Kingdom is to facilitate employment agreements with Asia and United Kingdom entities within the Macquarie Group.

The principal activity of the Hong Kong branch is to facilitate employment and secondment agreements amongst various Hong Kong entities within the Macquarie Group.

Review of operations

The loss for the financial year ended 31 March 2017 was £347,074, a decrease of 127% from the profit of £1,291,797 in the previous year.

Net operating income for the year ended 31 March 2017 was £378,018, a decrease of 79% from the operating income of £1,764,149 in the previous year.

Total operating expenses for the year ended 31 March 2017 was £21,521,338, a decrease of 30% from £30,676,991 in the previous year.

As at 31 March 2017, the Company had net assets of £20,850,770 (2016: £18,902,128).

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 ("MGL"), which include those of the Company, are discussed in MGL's financial statements and can be obtained from the address given in note 17.

Financial risk management

Risk is an integral part of the Macquarie Group's businesses. The Company is exposed to a variety of financial risks that include the effects of credit risk, liquidity risk and operational risk. Additional risks faced by the Company include legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

As ultimately an indirect subsidiary of MGL, the Company manages risk within the framework of the overall strategy and risk management structure of the Macquarie Group. RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director and the Board of MGL. The Head of RMG is a member of the Executive Committee of MGL. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board of MGL. The risks which the Company is exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Strategic Report (continued) for the financial year ended 31 March 2017

Financial risk management (continued)

Credit risk

Credit exposures, approvals and limits are controlled with the Macquarie Group's credit framework, as established by RMG.

Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities. The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

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 and external parties, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, which also incur a variable rate of interest.

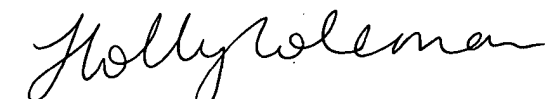
Foreign exchange risk

The Company has foreign exchange exposures which include amounts receivable from and payable to other Macquarie Group undertakings and external parties which are denominated in non-functional currencies. Any material non-functional currency exposures are managed by applying a group wide process of minimising exposure at an individual company level.

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 KPIs in the Strategic Report is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored at the Macquarie Group level.

On behalf of the Board



Holly Coleman
Director

20 December 2017

Macquarie International Limited

Company Number 01802574

Directors' Report for the financial year ended 31 March 2017

In accordance with a resolution of the Directors of the Company, the Directors submit herewith the audited financial statements of the Company and report as follows:

Directors and Secretaries

The Directors who each held office as a Director of the Company throughout the year and until the date of this report, unless disclosed otherwise, were:

H Coleman
R Thompson
J Walker

The Secretaries who each held office as a Secretary of the Company throughout the year and until the date of this report, unless disclosed otherwise, were:

H Everitt
O Shepherd (resigned on 16 December 2016)

Results

The loss for the financial year ended 31 March 2017 was £347,074 (2016: £1,291,797).

The Hong Kong branch contributed a profit of £77,005 and a profit of £362,983 to the overall profit on ordinary activities before taxation. In the prior year the contribution was a profit of £2,863,585 from the Hong Kong branch and a profit of £3,042,070 to the overall profit on ordinary activities before taxation.

Dividends paid or provided for

No dividends were paid or provided for during the financial year (2016: nil).

No final dividend has been proposed.

State of affairs

There were no significant changes in the state of the affairs of the Company that occurred during the financial year under review not otherwise disclosed in the Directors' report.

Events after the reporting period

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 2017 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

The Directors believe that no significant changes are expected other than those already disclosed in this report.

Directors' Report (continued)
for the financial year ended 31 March 2017

Indemnification and insurance of Directors

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The ultimate parent purchased and maintained throughout the financial year directors' liability insurance in respect of the Company and its Directors.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors 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.

Disclosure of information to auditors

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. As at the date of these financial statements, the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board


Molly Coleman
Director

20 December 2017

Independent auditors' report to the members of Macquarie International Limited

Report on the financial statements

Our opinion

In our opinion, Macquarie International Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 March 2017;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Amena Shaista (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

21 December 2017

Macquarie International Limited

Financial Statements

Profit and loss account for the financial year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	2(iv)	21,848,201	31,461,451
Administrative expenses	3	(21,521,338)	(30,676,991)
Other operating income		51,155	979,689
Operating profit		378,018	1,764,149
Interest receivable and similar income	4	936,868	1,563,312
Interest payable and similar charges	5	(157,107)	(683,786)
Profit on ordinary activities before taxation	3	1,157,779	2,643,675
Tax on profit on ordinary activities	6	(1,504,853)	(1,351,878)
(Loss)/profit for the financial year		(347,074)	1,291,797

The above profit and loss account should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

Turnover and profit on ordinary activities before taxation relate wholly to continuing operations.

Macquarie International Limited

Statement of comprehensive income for the financial year ended 31 March 2017

	Note	2017 £	2016 £
Profit for the financial year		(347,074)	1,291,797
Other comprehensive income/(expense):			
Exchange differences on translation of foreign operations	12	1,309,120	(320,351)
Total other recognised gains/(losses) for the financial year		1,309,120	(320,351)
Total other comprehensive income/(expense)		1,309,120	(320,351)
Total comprehensive income		962,046	971,446
Total comprehensive income attributable to ordinary equity holders of the Company		962,046	971,446

The above statement of comprehensive income should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

Macquarie International Limited

Balance sheet as at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Investment securities available for sale	7	-	-
Current assets			
Debtors	8	47,262,025	50,326,042
Deferred tax asset	6	8,103,756	6,713,216
Creditors: amounts falling due within one year	9	(482,394)	(832,067)
Net current assets		54,883,387	56,207,191
Total assets less current liabilities		54,883,387	56,207,191
Provisions for liabilities	10	(34,032,617)	(37,305,063)
Net assets		20,850,770	18,902,128
Capital and reserves			
Called up share capital	11	2,500,000	2,500,000
Contribution from ultimate parent entity in relation to share-based payments	11	11,715,224	10,728,628
Other reserves	12	5,653,292	4,344,172
Profit and loss account	12	982,254	1,329,328
Total shareholders' funds		20,850,770	18,902,128

The above balance sheet should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

The financial statements on pages 8 to 22 were authorised for issue by the Board of Directors on 20 December 2017.

Director

Molly



COLEMAN

Macquarie International Limited

Statement of changes in equity for the financial year ended 31 March 2017

		Called up share capital	Contribution from ultimate parent entity in relation to share-based payments	Other reserves	Profit and loss account	Total shareholders' funds
	Note	£	£	£	£	£
Balance at 1 April 2015		2,500,000	11,026,533	4,664,523	37,531	18,228,587
Profit for the financial year		-	-	-	1,291,797	1,291,797
Other comprehensive expense		-	-	(320,351)	-	(320,351)
Total comprehensive income		-	-	(320,351)	1,291,797	971,446
Other equity movements:						
Share-based payments	12	-	(26,297)	-	-	(26,297)
Deferred tax on share-based payments	12	-	(271,608)	-	-	(271,608)
Balance at 31 March 2016		2,500,000	10,728,628	4,344,172	1,329,328	18,902,128
Loss for the financial year		-	-	-	(347,074)	(347,074)
Other comprehensive income		-	-	1,309,120	-	1,309,120
Total comprehensive income		-	-	1,309,120	(347,074)	962,046
Other equity movements:						
Deferred tax on share-based payments	12	-	986,596	-	-	986,596
Balance at 31 March 2017		2,500,000	11,715,224	5,653,292	982,254	20,850,770

Notes to the financial statements for the financial year ended 31 March 2017

Note 1. General information

The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD, United Kingdom.

Note 2. Summary of significant accounting policies

i) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment securities available for sale and certain financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

In accordance with FRS 101, the Company has availed of an exemption from the following paragraphs of IFRS:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received as determined).
- The requirements of paragraphs of International Accounting Standards ("IAS") 7 'Statement of Cash Flows'.
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.

Critical accounting estimates and significant judgements

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company and the financial statements such as:

- impairment of investment securities available for sale (notes 2(vii) and 7); and
- recoverability of deferred tax assets and measurement of current and deferred tax liabilities (note 6).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes the estimates used in preparing the financial statements are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

ii) Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

iii) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity.

iv) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for each major revenue stream as follows:

Net interest income/expense

Interest income and expense is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans are capitalised and included in the effective interest rate and recognised in the profit and loss account over the expected life of the instrument.

Fee and commission income

Fee and commission income is recognised as the related services are performed. Where fees are subject to clawback or meeting certain performance hurdles, they are recognised as income at the point when those conditions can no longer affect the outcome.

Other operating income/(expenses)

Other operating income/(expenses) comprises of other gains and losses relating to foreign exchange differences and are recognised in the profit and loss account.

Expenses

Expenses are brought to account on an accrual basis and, if not paid at the end of the reporting period, are reflected on the balance sheet as a payable.

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

v) Taxation

The principles of the balance sheet method of tax effect accounting have been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company undertakes transactions in the ordinary course of business where the income tax treatment and recognition of deferred tax assets requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

vi) Investments and other financial assets

Investments and other financial assets are classified into the following categories: loans and receivables and investment securities available for sale. The classification depends on the purpose for which the financial asset was acquired, which is determined at initial recognition and, except for other financial assets at fair value through profit or loss, is re-evaluated at each balance sheet date.

Loans and receivables

This category includes loan assets held at amortised cost and amounts due from related entities, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Investment securities available for sale

Investment securities in this category are available for sale and may be sold should the need arise, including for purposes of liquidity, or due to the impacts of changes in interest rates, foreign exchange rates or equity prices.

Investment securities available for sale are initially carried at fair value plus transaction costs. Gain and loss arising from subsequent changes in fair values is 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 is recognised in the profit and loss. 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 are unlisted), fair value is established by valuation techniques, including recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

vii) Impairment

Loan assets held at amortised cost

Loan assets are subject to regular review and assessment for possible impairment. Provisions for impairment on loan assets are recognised based on an incurred loss model and re-assessed at each balance sheet date. A provision for impairment is recognised when there is objective evidence of impairment and is calculated based on the present value of expected future cash flows, discounted using the original effective interest rate.

Individually assessed provisions for impairment are recognised where impairment of individual loans are identified. Where individual loans are found not to be impaired, they are placed into pools of assets with similar risk profiles and collectively assessed for losses that have been incurred but are not yet specifically identifiable.

The Company makes judgements as to whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in assumptions used for estimating future cash flows could result in a change in the estimated provisions for impairment on loan assets at the end of a reporting period.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent of what the amortised cost would have been had the impairment not been recognised.

Investment securities available for sale

The Company performs an assessment at each balance sheet date to determine whether there is any objective evidence that available for sale financial assets have been impaired. Impairment exists if there is objective evidence of impairment as a result of one or more events (loss event) which have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For equity securities classified as available for sale, the main indicators of impairment are: significant changes in the market, economic or legal environment; and a significant or prolonged decline in fair value below cost. In making this judgement, the Company evaluates among other factors, the normal volatility in share price and the period of time for which fair value has been below cost.

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.

When the fair value of an available for sale financial asset is less than its initial carrying amount and there is objective evidence that the asset is impaired, the cumulative loss recognised directly in reserves is removed from equity and recognised in the profit and loss.

Impairment losses recognised in the profit and loss for equity securities classified as available for sale are not subsequently reversed through the profit and loss. However impairment loss recognised for debt investment securities classified as available for sale are subsequently reversed through the profit and loss if the fair value increases and the increase can be objectively related to an event after the impairment loss was recognised in the profit and loss.

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 2. Summary of significant accounting policies (continued)

viii) Provisions

Employee benefits

A liability for employee benefits is recognised by the entity that has the obligation to the employee. Generally, this is consistent with the legal position of the parties to the employment contract.

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded on the balance sheet at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market in which case rates on which actual government securities are used. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled, or is transferred to another entity and the Company is legally released from the obligation and does not retain a constructive obligation.

ix) Performance based remuneration

Share based payments

The ultimate parent entity, MGL, operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in note 15. The entity recognises an expense for its awards granted to its employees. The awards are measured at the grant dates based on their fair value and using the number of equity instruments expected to vest. This amount is recognised as an expense over the respective vesting periods.

Performance hurdles attached to Performance Share Units (PSUs) under the MEREP are not taken into account when determining the fair value of the PSUs at grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest.

Profit share remuneration

The Company recognises a liability and an expense for profit share remuneration to be paid in cash.

x) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the amounts and either there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

xi) Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Macquarie International Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 3. Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Wages and salaries	14,729,443	26,272,973
Social security costs	60,458	117,398
Other pension costs	12,620	49,057
Share based payment costs	5,914,503	4,462,053
Staff costs	20,717,024	30,901,481
Other operating expenses/(income)	765,574	(260,708)
Foreign exchange gains	(51,155)	(979,689)
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	36,051	33,859
Fees payable to the Company's auditors for other services	2,689	2,359
Note 4. Interest receivable and similar income		
Interest receivable from other Macquarie Group undertakings	936,868	1,563,312
Total interest receivable and similar income	936,868	1,563,312
Note 5. Interest payable and similar charges		
Interest payable to other Macquarie Group undertakings	157,107	683,786
Total interest payable and similar charges	157,107	683,786
Note 6. Taxation		
i) Tax expense included in profit or loss		
Current tax		
UK corporation tax at 20% (2016: 20%)	(1,182,392)	(827,563)
Adjustments in respect of previous periods	(542,808)	17,217
Foreign tax suffered	(562,461)	(1,021,007)
Total current tax	(2,287,661)	(1,831,353)
Deferred tax		
Origination and reversal of temporary differences	1,284,163	1,349,667
Adjustments in respect of previous periods	32,520	(197,447)
Effect of changes in tax rates	(533,875)	(672,745)
Total deferred tax	782,808	479,475
Tax on profit on ordinary activities	(1,504,853)	(1,351,878)

Macquarie International Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 6. Taxation (continued)		
ii) Reconciliation of effective tax rate		
The income tax expense for the period is higher (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:		
Profit before taxation	1,157,779	2,643,675
Current tax charge at 20% (2016: 20%)	(231,557)	(528,735)
Effect of:		
Adjustments in respect of previous periods	(510,287)	(180,230)
Expenses not deductible for tax purposes	(359)	(1,076)
Foreign tax suffered	(562,461)	(1,021,007)
Deduction for foreign tax suffered	560,652	980,846
Loss from membership in LP	193	131
Share based payments	(227,159)	70,938
Effect of changes in tax rates	(533,875)	(672,745)
Total tax on profit on ordinary activities	(1,504,853)	(1,351,878)
The tax rate for the current year is the same as the prior year. The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured at 17%.		
(iii) Deferred tax comprises timing differences attributable to:		
Deferred tax assets		
Other assets	8,103,756	6,713,216
Total Deferred tax assets	8,103,756	6,713,216
(iv) Deferred tax comprises timing differences attributable to:		
Balance at the beginning of the financial year	6,713,216	6,965,967
Deferred tax charged to profit and loss account for the period	1,284,163	1,349,667
Effect of changes in tax rates	(533,875)	(672,745)
Deferred tax charged to equity	758,018	(659,058)
Effect of changes in tax rates in equity	(150,286)	(73,168)
Adjustment in respect of previous periods	32,520	(197,447)
Balance at the end of the financial year	8,103,756	6,713,216

Note 7. Investment securities available for sale

Equity securities

Unlisted - Global Star Korea Fund L.P.

Total investment securities available for sale

The Company had entered into a Limited Partnership Agreement with Global Star Korea Fund L.P. As at 31 March 2017, the Company has contributed US\$4,943,373 (2016: US\$4,943,373). This represents an investment of 5.05% in Global Star Korea Fund L.P. The investment has been fully impaired.

Macquarie International Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

	2017 £	2016 £
Note 8. Debtors		
Amounts owed from other Macquarie Group undertakings ¹	41,548,916	43,164,811
Other debtors	5,469,771	6,068,332
Taxation	243,338	1,092,899
Total debtors	47,262,025	50,326,042
¹ Amounts owed from other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2017 the rate applied ranged between LIBOR plus 1.90% and LIBOR plus 2.46% (2016: between LIBOR plus 1.47% and LIBOR plus 1.88%).		
Note 9. Creditors: amounts falling due within one year		
Amounts owed to other Macquarie Group undertakings ¹	437,814	419,086
Taxation	767	382,244
Accruals and deferred income	41,242	12,205
Other creditors	2,571	18,532
Total creditors	482,394	832,067
¹ Amounts owed to other Macquarie group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2017 the rate applied was LIBOR plus 2.46% (2016: LIBOR plus 1.88%).		
Note 10. Provisions for liabilities		
Provision for employee entitlements	34,032,617	37,305,063
Total provisions for liabilities	34,032,617	37,305,063
Reconciliation of provision:		
Balance at the beginning of the financial year	37,305,063	31,203,744
Provisions used during the year	(13,944,990)	(11,108,024)
Provisions made during the year	7,030,985	16,890,173
Foreign exchange movements	3,705,862	109,166
Transfers from Group undertakings	(64,303)	210,004
Balance at the end of the financial year	34,032,617	37,305,063
Maturity profile of provision for employee entitlements		
Within 1 year	9,317,730	13,324,660
Between 1 and 2 years	7,299,382	4,176,897
Between 2 and 10 years	17,415,505	19,803,506
Balance at the end of the financial year	34,032,617	37,305,063

Macquarie International Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 11. Called up share capital

	2017	2016	2017	2016
	Number of shares	Number of shares	£	£
Ordinary share capital				
Opening balance of fully paid ordinary shares	2,500,000	2,500,000	2,500,000	2,500,000
Closing balance of fully paid ordinary shares	2,500,000	2,500,000	2,500,000	2,500,000
Authorised share capital				
Ordinary shares of £1 each	10,000,000	10,000,000	10,000,000	10,000,000
Total authorised share capital	10,000,000	10,000,000	10,000,000	10,000,000
Equity contribution from parent entity in relation to share based payments				
Balance at the beginning of the financial year			10,728,628	11,026,533
Share based payments			-	(26,297)
Deferred tax on share-based payments			986,596	(271,608)
Balance at the end of the financial year			11,715,224	10,728,628

Note 12. Other reserves and profit and loss account

Other reserves

Foreign currency translation reserve

Balance at the beginning of the financial year	(155,828)	164,523
Currency translation differences arising during the financial year	1,309,120	(320,351)
Balance at the end of the financial year	1,153,292	(155,828)

Exchange differences arising from the translation of the Company's foreign branch, which have local currencies other than sterling, are taken to the foreign currency translation reserve.

Capital redemption reserve

Balance at the beginning of the financial year	4,500,000	4,500,000
Balance at the end of the financial year	4,500,000	4,500,000

Total other reserves	5,653,292	4,344,172
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Profit and loss account

Balance at the beginning of the financial year	1,329,328	37,531
(Loss)/profit for the financial year	(347,074)	1,291,797
Balance at the end of the financial year	982,254	1,329,328

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 13. Related party information

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in note 17.

The Company does not have any related party transactions or balances other than those with entities which form part of the Macquarie Group as mentioned above.

Note 14. Directors' remuneration

During the financial year ended 31 March 2017 and 31 March 2016, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

Note 15. Employee equity participation

Macquarie Group Employee Retained Equity Plan

The Company continues to operate the MEREP in conjunction with remuneration arrangements. During the financial year, MGL made changes to align the buying and selling of Macquarie shares in relation to the MEREP. MGL elected to implement a similar arrangement in future periods.

Award Types under the MEREP

Restricted Share Units ("RSUs")

A RSU is a beneficial interest in a MGL ordinary share held on behalf of a MEREP participant by the plan trustee (Trustee). The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights in the share. The participant also has the right to request the release of the share from the Trust, subject to the vesting and forfeiture provisions of the MEREP.

Deferred Share Units ("DSUs")

A DSU represents the right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by MGL in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. MGL may issue shares to the Trustee or direct the Trustee to acquire shares on-market, or via a share acquisition arrangement for potential future allocations to holders of DSUs. Generally DSUs will provide for cash payments in lieu of dividends paid on MGL ordinary shares before the DSU is exercised. Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of MGL in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of MGL shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. DSUs have been granted with an expiry period of eight years.

For the year ended 31 March 2017, compensation expenses relating to the MEREP totalled £5,914,503 (2016: £4,462,053).

Participation in the MEREP is currently provided to the following Eligible Employees:

- Executive Directors with retained Directors' Profit Share (DPS) from 2009 onwards, a proportion of which is allocated in the form of MEREP awards ("Retained DPS Awards");
- Executive Directors with pre-2009 retained DPS (which they elected to transition into the MEREP);
- staff other than Executive Directors with retained profit share ("Retained Profit Share Awards") and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards (Promotion Awards); and
- new Macquarie Group staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value, depending on level ("New Hire Awards").

Macquarie International Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2017

Note 15. Employee equity participation (continued)

Vesting periods are as follows:

Award type	Level	Vesting
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant ¹
Retained DPS Awards representing 2009 retention	Executive Director	1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant ²
Retained DPS Awards for 2010 and all future years' retention	Executive Committee member and Designated Executive Director	1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant ²
Retained DPS Awards for 2010 and all future years' retention	All other Executive Director	1/3rd in the 3rd, 4th and 5th year following the year of grant ¹
Pre-2009 DPS Transitioned into the MEREP	Executive Directors (other than those on the Executive Committee)	1/5th each year from 1 July 2010 to 1 July 2014 ²
New hire awards	All Director-level staff	1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation

¹Vesting will occur on the first day of an eligible staff trading window.

²Vesting will occur on the first day of an eligible staff trading window. If an Executive Director has been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly.

In limited cases, the Application Form for awards may set out a different vesting period, in which case that period will be the vesting period for the Award. For example, staff in jurisdictions outside Australia may have a different vesting period due to local regulatory requirements.

For Retained Profit Share Awards representing 2016 retention, the allocation price was the weighted average price of the shares acquired for the 2016 purchase period, which was 17 May 2016 to 17 June 2016 inclusive. That price was calculated to be AU\$71.55 (2015 retention: AU\$80.68).

Note 16. Contingent liabilities and commitments

The Company has no commitments or contingent liabilities which are individually material or a category of commitments or contingent liabilities which are material.

Note 17. Ultimate parent undertaking

At 31 March 2017, the immediate parent undertaking of the Company is Macquarie Corporate International Holdings Pty Limited.

The ultimate parent undertaking and controlling party of the Company is MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie Corporate Holdings Pty Limited ("MCHPL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MCHPL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales 2000 Australia.

Note 18. Employee information

The average number of persons employed by the Company during the year calculated on a monthly basis was:

By activity:	2017	2016
Financial Management Group	2	3
Commodities and Global Markets	4	6
Macquarie Capital	2	2
Macquarie Corporate & Asset Finance	2	2
Macquarie Asset Management	1	1
Total employees	11	14

Note 19. Events after the reporting period

There were no material events subsequent to 31 March 2017 that have not been reflected in the financial statements.