MACQUARIE INTERNATIONAL LIMITED

COMPANY NUMBER 01802574

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2019

MACQUARIE

The Company's registered office is:

Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

2019 Strategic Report, Directors' Report and Financial Statements

Contents

Strategic Report
for the financial year ended 31 March 2019

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 for 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 profit for the financial year ended 31 March 2019 was £1,260,021 a decrease of 14 per cent from £1,344,797 in the previous financial year.

Net operating income for the financial year ended 31 March 2019 was £218,615, as compared to net operating income of £560,842 in the previous financial year.

Total administrative expenses for the year ended 31 March 2019 were £4,035,035, a decrease of 73 per cent from £15,176,747 in the previous financial year.

As at 31 March 2019, the Company had net assets of £24,607,059 (2018: £21,650,898).

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 16.

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, interest rate risk, foreign exchange risk and exposure to the performance of its branch.

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 2019

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 includes exposures arising from its foreign branches, amounts receivable from and payable to other Macquarie Group undertakings 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.

Other matters
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 financial and non-financial key performance indicators, the Company's business impact on the environment and social, community and human rights issues in the Strategic Report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board

ABIGAIL NOTTINGHAM
Director
11 December 2019

Directors' Report
for the financial year ended 31 March 2019

In accordance with a resolution of the Directors of the Company, the Directors submit herewith the audited financial statements of the Company and report for the year ended 31 March 2019.

Directors and Secretaries

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

A Nottingham
R Thompson
J Walker

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

H Everitt

Results

The profit for the financial year ended 31 March 2019 was £1,260,021 as compared to a profit of £1,344,797 for the financial year ended 31 March 2018.

The Hong Kong branch contributed a profit of £937,151 and an overall profit before taxation of £981,636. In the prior year the contribution was a profit of £1,088,128 from the Hong Kong branch and an overall profit before taxation of £1,224,417.

Dividends paid or provided for

No dividends were paid or provided for during the financial year (2018: nil).

No final dividend has been proposed.

State of affairs

There were no other significant changes in the state of affairs of the Company that occurred during the current 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 2019 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.

The financial risk management objectives and policies of the Company and the exposure of the Company to credit risk, liquidity risk, interest rate risk and foreign exchange risk are contained within the Strategic Report.

Directors' Report (continued)
for the financial year ended 31 March 2019

Indemnification and insurance of Directors

As permitted by the Company's 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 Strategic Report, Directors' 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; 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. 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.

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

ABIGAIL NETTINGHAM
Director
11 December 2019

Independent Auditors' Report to the members of Macquarie International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie International Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; the profit and loss account, the statement of changes, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent Auditors' Report to the members of Macquarie International Limited (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Peter Venables

Peter Venables (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors London
11 December 2019

Financial Statements

Profit and loss account
for the financial year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	2(iv)	4,249,370	15,807,109
Administrative expenses		(4,035,035)	(15,176,747)
Other operating income/(expense)	3	4,280	(69,520)
Operating profit		218,615	560,842
Interest receivable and similar income	4	1,112,712	987,480
Interest payable and similar charges	5	(67,496)	(110,341)
Profit before taxation		1,263,831	1,437,981
Tax on profit	6	(3,810)	(93,184)
Profit for the financial year		1,260,021	1,344,797

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 before taxation relate wholly to continuing operations.

Statement of comprehensive income
for the financial year ended 31 March 2019

	Note	2019 £	2018 £
Profit for the financial year		**1,260,021**	1,344,797
Other comprehensive income/ (expense):			
Exchange differences on translation of foreign operations	11	804,639	(1,151,709)
Total other recognised gains/(losses) for the financial year		804,639	(1,151,709)
Total other comprehensive income/(expense)		804,639	(1,151,709)
Total comprehensive income		**2,064,660**	193,088
Total comprehensive income attributable to ordinary equity holders of the Company		**2,064,660**	193,088

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

Balance sheet
as at 31 March 2019

	Note	2019 £	2018 £
Current assets			
Debtors	7	**42,514,415**	45,732,018
Deferred tax asset	6	**4,784,620**	5,144,444
Creditors: amounts falling due within one year	8	**(4,582,620)**	(836,764)
Net current assets		**42,716,415**	50,039,698
Total assets less current liabilities		**42,716,415**	50,039,698
Provisions for liabilities	9	**(18,109,356)**	(28,388,800)
Net assets		**24,607,059**	21,650,898
Capital and reserves			
Called up share capital	10	**2,500,000**	2,500,000
Contribution from ultimate parent entity in relation to share-based payments	10	**13,303,608**	12,322,264
Other reserves	11	**5,306,222**	4,501,583
Profit and loss account	11	**3,497,229**	2,327,051
Total shareholders' funds		**24,607,059**	21,650,898

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

The March 2019 financial results reflect the adoption of IFRS 9 – Financial Instruments (IFRS 9) on 1 April 2018. As permitted by IFRS 9, the Company has not restated previously reported financial periods. Refer to Note 2 for the impact on the Company from initial adoption of IFRS 9.

The financial statements on pages 8 to 23 were authorised for issue by the Board of Directors on 11 December 2019.

ABIGAIL NOTTINGHAM
Director

Statement of changes in equity
for the financial year ended 31 March 2019

	Note	Called up share capital £	Contribution from ultimate parent entity in relation to share-based payments £	Other reserves £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2017		2,500,000	11,715,224	5,653,292	982,254	20,850,770
Profit for the financial year		-	-	-	1,344,797	1,344,797
Other comprehensive expense		-	-	(1,151,709)	-	(1,151,709)
Total comprehensive income		-	-	(1,151,709)	1,344,797	193,088
Other equity movements:						
Deferred tax on share-based payments	10	-	607,040		-	607,040
Balance at 31 March 2018		2,500,000	12,322,264	4,501,583	2,327,051	21,650,898
Change on initial application of IFRS 9[1]		-	-	-	(89,843)	(89,843)
Restated balance at 01 April 2018		2,500,000	12,322,264	4,501,583	2,237,208	21,561,055
Profit for the financial year		-	-	-	1,260,021	1,260,021
Other comprehensive income		-	-	804,639	-	804,639
Total comprehensive income		-	-	804,639	1,260,021	2,064,660
Other equity movements:						
Deferred tax on share-based payments	10	-	981,344	-	-	981,344
Balance at 31 March 2019		2,500,000	13,303,608	5,306,222	3,497,229	24,607,059

Notes to the financial statements
for the financial year ended 31 March 2019

Note 1. Company information

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom and registered in England and Wales. 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 financial 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 in accordance with the Companies Act 2006 and under the historical cost convention except for the following items:

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").

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as a parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in full consolidation in the consolidated financial statements of its ultimate parent Macquarie Group Limited ("MGL"), a company incorporated in Australia.

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 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.

Notes to the financial statements (continued) for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

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. 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:

- Judgement and an estimate of recoverability of deferred tax assets and measurement of current and deferred tax liabilities (note 6).
- Judgement in determining share based payments through equity settled awards or cash settled awards (note 2 (viii)).

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

Management believes that 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 management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities.

New Accounting Standards and amendments to Accounting Standards and that are effective in the current financial year

IFRS 9 *Financial Instruments*
IFRS 9 replaced International Accounting Standard 39 Financial Instruments: Recognition and Measurement ("IAS 39") from 1 April 2018. IFRS 9 resulted in changes to accounting policies covering the classification, measurement and impairment of financial assets and the application of hedge accounting. The Company has applied the requirements of IFRS 9 in the current financial year beginning 1 April 2018.

Transition:
The transition adjustment did not have a material impact and resulted in a reduction of the Company's shareholder's funds by £89,843 and this has not materially impacted the Company's minimum regulatory capital requirements. There is no tax effect on the transition adjustment. The current Stage 1 ECL balance is driven by two main categories; receivables from financial institutions as at 31 March 2019 with a balance of £80,308 (2018: £nil) and other assets as at 31 March 2019 with a balance of £9,535 (2018: £nil).

The key changes in the Company's significant accounting policies from the transition to IFRS 9 have been included within the relevant sections of this note and other notes of the financial statements. Accounting policies applicable to the prior period have been provided in italics as appropriate for comparability purposes.

As permitted by IFRS, the Company has not restated its comparative financial statements and has recorded a transition adjustment to its opening balance sheet and retained earnings at 1 April 2018 to reflect the impact of the adoption of IFRS 9 requirements. The adoption of the Classification and Measurement requirements of the standard did not result in significant measurement differences when compared to those under IAS 39.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 replaces all the current guidance on revenue recognition from contracts with customers. It requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer.

The Company adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018. No adjustment to opening retained earnings were made as the amendments to accounting policy did not result in significant changes to the timing or amount of revenue recognised at 31 March 2018.

The key changes in significant accounting policies from the transition to IFRS 15 are included within the relevant sections of this note. Accounting policies applicable to the prior financial year have also been provided in italics in relevant sections for comparability.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

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
The functional currency of the Company is determined as the currency of the primary economic environment in which the Company 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 translated into the functional currency using the exchange rates prevailing at the transaction date. 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.

Foreign operations (branch)
The Company has a branch in Hong Kong. The results and financial position of all foreign operations that have a functional currency other than Pounds Sterling are translated into Pounds Sterling as follows:
- assets and liabilities are translated at the closing exchange rate at the date of that balance sheet,
- income and expenses are translated at actual exchange rates at the dates of the transactions, and
- all resulting exchange differences are recognised in originated credit-impaired ("OCI") within a separate component of equity being the foreign currency translation reserve ("FCTR").

When a foreign operation is disposed of, exchange differences recognised in the FCTR are reclassified to the profit and loss account as part of other operating income and charges.

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 interest expense is recognised using the effective interest rate (EIR) method for financial assets, and liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or 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.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of EIR does not include ECL, except for financial assets which on initial recognition are classified as purchased or originated credit-impaired (POCI). Interest income on these assets is determined using a credit-adjusted EIR by discounting the estimated future cash receipts, including credit losses expected at initial recognition, through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest income on financial assets that are not classified as POCI but are subsequently classified as credit-impaired, is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Fee and commission income
Fee and commission income is recognised as the related services are performed. Where fees are subject to claw back or meeting certain performance hurdles, they are recognised as income at the point when it is highly probable that those conditions will not affect the outcome.

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

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

Turnover

Turnover for the year is comprised of fee income relating to services performed by employees within the Hong Kong branch.

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.

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 against which to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences 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.

The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding of the law.

vi) Investments and investments in financial assets

Investments and other financial assets are classified into the following categories: loans and receivables. 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, other receivables 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. Loans and receivables are recognised on settlement date, when cash is advanced to the borrower.

vii) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

Employee benefits
A liability for employee benefits is recognised by the Company 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. 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.

viii) Performance based remuneration

Share based payments
The Company 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 14 – Employee equity participation. The Company accounts for its share based payments as follows:

- Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognized as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. 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. On vesting, the amount recognized in the share based payment reserve is transferred to contributed equity.
- Cash settled awards: The liability of the awards is measured with reference to the number of awards and the fair value of those awards at each reporting date. Expenses are recognized as part of employment expenses with reference to the vesting period of those awards. Changes in the value of the liability are recognized in employment expenses.

Profit share remuneration
The Company recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

ix) Impairment

Expected credit losses ("ECL")
The ECL requirements apply to financial assets measured at amortised cost and amounts receivable from contracts with customers. The Company applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macro-economic information (FLI). Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL
At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition (or for those financial assets for which the credit risk is considered to be low), ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.

Interest income is determined by applying the financial asset's EIR to the financial asset's gross carrying amount.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 2. Summary of significant accounting policies (continued)

ix) Impairment (continued)

Expected credit losses ("ECL") (continued)

(ii) Stage II – Lifetime ECL not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLI that includes significant management judgement.

Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity of the financial asset. For revolving facilities, the Company exercises judgement based on the behavioural, rather than contractual characteristics of the facility type.

Interest income is determined by applying the financial asset's EIR to the financial asset's gross carrying amount.

(iii) Stage III – Lifetime ECL credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime LGD and EAD, adjusted for FLI.

Interest income is determined by applying the financial asset's EIR to the financial asset's amortised cost carrying value, being the gross carrying value after the ECL provision.

The loss allowances for ECL are presented in the balance sheet as follows:

i. Lease receivables, contract receivable and other assets measured at amortised cost – as a deduction to the gross carrying amount;
ii. Undrawn credit commitments – as a provision.

When the Company concludes that there is no reasonable expectation of recovering cash flows from the loan asset or debt financial investment and all possible collateral has been realised, financial assets are written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

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 recognised amounts and 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.

xii) Capital redemption reserve

The Companies Act 2006, requires that redemptions of shares must be financed out of either:
-distributable profits;
-the proceeds of a fresh issue of shares made for the purposes of the redemption; or
-out of capital (for private companies only and provided the company complies with specific additional procedures).

The capital contribution from Macquarie Corporate International Holdings Pty Limited will be used to create distributable profits in the Company in order to finance the redemption.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 3. Profit before taxation	2019 £	2018 £
Profit before taxation is stated after charging:		
Wages and salaries	4,614,729	12,108,412
Social security costs	-	67,017
Other pension costs	4,574	10
Share based payment costs	346,621	2,252,099
Staff costs	4,965,924	14,427,538
Other operating (income)/ expenses	(956,578)	883,753
Foreign exchange (gains)/ losses	(3,894)	69,520
Credit impairment charges/(reversal)[1]		
Receivables from financial institutions	3,410	-
Other assets	(10,110)	-
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	23,083	21,979
Fees payable to the Company's auditors for other services	2,607	113

[1]The change in expected credit losses relating to financial assets under IFRS 9 is recorded under Credit impairment charges. Individual and collective provisions for March 2018 remain in accordance with IAS 39 and have not been restated.

Note 4. Interest receivable and similar income	2019 £	2018 £
Interest receivable from other Macquarie Group undertakings	1,112,712	987,480
Total interest receivable and similar income	1,112,712	987,480

Note 5. Interest payable and similar charges	2019 £	2018 £
Interest payable to other Macquarie Group undertakings	67,496	110,341
Total interest payable and similar charges	67,496	110,341

Note 6. Tax on profit	2019 £	2018 £
i) Tax expense included in profit or loss		
Current tax		
UK corporation tax at 19% (2018: 19%)	160,019	2,044,212
Adjustments in respect of previous periods	607,656	(30,281)
Foreign tax suffered	(2,296)	(27,543)
Total current tax	765,379	1,986,388
Deferred tax		
Origination and reversal of temporary differences	(254,410)	(2,550,659)
Adjustments in respect of previous periods	(611,341)	139,293
Effect of changes in tax rates	96,562	331,794
Total deferred tax	(769,189)	(2,079,572)
Tax on profit	(3,810)	(93,184)

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 6. Taxation (continued)	2019 £	2018 £
ii) Reconciliation of effective tax rate		

The income tax charge for the year ended 31 March 2019 is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit before taxation	1,263,831	1,437,982
Current tax charge at 19% (2018: 19%)	(240,128)	(273,217)
Effect of:		
Adjustments in respect of previous periods	(3,685)	109,012
Foreign tax suffered	(2,298)	(27,543)
Loss from membership in LP	-	(752)
Share based payments	118,890	(206,829)
Effect of changes in tax rates	122,209	306,145
Non-taxable income - Other	1,200	-
Total tax on profit on ordinary activities	(3,810)	(93,184)

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:	2019 £	2018 £
Deferred tax assets		
Other assets	4,784,620	5,170,090
Total deferred tax assets	4,784,620	5,170,090
Deferred tax liabilities		
Tax losses (Hong Kong K Branch)	-	(25,646)
Total deferred tax liabilities	-	(25,646)
Total Deferred tax assets	4,784,620	5,144,444

(iv) Reconciliation of the Company's movement in deferred tax assets	2019 £	2018 £
Balance at the beginning of the financial year	5,144,444	8,103,756
Deferred tax charged to profit and loss account for the period	(254,410)	(2,550,660)
Effect of changes in tax rates	96,562	331,795
Deferred tax charged to equity	(42,318)	(159,940)
Effect of changes in tax rates in equity	4,455	16,837
Effect of changes in foreign exchange rates	447,228	(736,637)
Adjustment in respect of previous periods	(611,341)	139,293
Balance at the end of the financial year	4,784,620	5,144,444

The majority of the above amounts are expected to be recovered after 12 months of the balance date by the Company.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 7. Debtors	2019 £	2018 £
Amounts owed from other Macquarie Group undertakings[1]	39,708,843	38,877,301
Other debtors	1,066,161	3,527,479
Taxation	1,739,411	3,327,238
Total debtors	**42,514,415**	**45,732,018**

[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 2019 the rate applied ranged between LIBOR plus 1.49% and LIBOR plus 2.41% (2018: between LIBOR plus 1.36% and LIBOR plus 2.73%).

At the reporting date, amounts owed from other Macquarie Group undertakings has ECL allowance of £83,143 (2018: £nil) which is net presented against the gross carrying amount.

Note 8. Creditors: amounts falling due within one year	2019 £	2018 £
Amounts owed to other Macquarie Group undertakings[1]	4,576,829	689,521
Taxation	151	151
Accruals and deferred income	5,052	70,737
Other creditors	588	76,355
Total creditors	**4,582,620**	**836,764**

[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 2019 the rate applied was LIBOR plus 1.93% (2018: LIBOR plus 2.26%).

Note 9. Provisions for liabilities	2019 £	2018 £
Provision for employee entitlements	18,109,356	28,388,800
Total provisions for liabilities	**18,109,356**	**28,388,800**
Reconciliation of provision:		
Balance at the beginning of the financial year	28,388,800	34,032,617
Provisions used during the year	(10,311,422)	(9,352,164)
Provisions made during the year	836,094	6,666,702
Foreign exchange movements	1,784,259	(2,947,461)
Transfers from Group undertakings	(2,588,375)	(10,894)
Balance at the end of the financial year	**18,109,356**	**28,388,800**
Maturity profile of provision for employee entitlements		
Within 1 year	6,386,814	17,125,977
Between 1 and 2 years	5,319,395	5,673,852
Between 2 and 10 years	6,403,147	5,588,971
Balance at the end of the financial year	**18,109,356**	**28,388,800**

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 10. Called up share capital

	2019 Number of shares	2018 Number of shares	2019 £	2018 £
Called up 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

	2019 £	2018 £
Equity contribution from ultimate parent entity		
Balance at the beginning of the financial year	12,322,264	11,715,224
Deferred tax on share-based payments	981,344	607,040
Balance at the end of the financial year	13,303,608	12,322,264

Note 11. Other reserves and profit and loss account

	2019 £	2018 £
Other reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	1,583	1,153,292
Currency translation differences arising during the financial year	804,639	(1,151,709)
Balance at the end of the financial year	806,222	1,583

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.

	2019 £	2018 £
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	5,306,222	4,501,583

	2019 £	2018 £
Profit and loss account		
Balance at the beginning of the financial year	2,327,051	982,254
Net effect of initial adoption of IFRS 9 (Note 2)	(89,843)	-
Profit for the financial year	1,260,021	1,344,797
Balance at the end of the financial year	3,497,229	2,327,051

Note 12. 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 16.

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.

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 13. Directors' remuneration
During the financial year ended 31 March 2019 and 31 March 2018, 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 meaningful. Accordingly, no separate remuneration has been disclosed.

Note 14. Employee equity participation
Macquarie Group Employee Retained Equity Plan ("MEREP")
The Company continues to operate the MEREP in conjunction with remuneration arrangements.

Award Types under the MEREP
Restricted Share Units ("RSUs")
An RSU is a beneficial interest in an 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 of the share. The participant also has the right to request the release of the share from the MEREP 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, where permitted by law, 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. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs have been granted with an expiry period of up to nine years.

For the year ended 31 March 2019, compensation expenses relating to the MEREP totalled £346,621 (2018: £2,252,099).

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)
- Staff other than Executive Directors with retained profit share above a threshold amount (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)*
- New MFHPL 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)

Notes to the financial statements (continued)
for the financial year ended 31 March 2019

Note 14. 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 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)
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

[1]Vesting will occur during an eligible staff trading window.

[2]Vesting will occur during 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 2018 retention, the allocation price was the weighted average price of the shares acquired for the 2018 purchase period, which was 14 May 2018 to 21 June 2018. That price was calculated to be AUD$113.76 (2018 retention: AUD$89.25).

Note 15. Contingent liabilities and commitment

The Company has no commitments or contingent liabilities (2018: no commitments or contingent liabilities) which are individually material or a category of commitments or contingent liabilities which are material.

Note 16. Ultimate parent undertaking

At 31 March 2019, the immediate parent undertaking of the Company is Macquarie Corporate International Holdings Pty Limited ("MCHPL").

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

Note 17. Employee information

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

By activity:	2019	2018
Financial Management Group	1	2
Commodities and Global Markets	1	2
Macquarie Capital	2	2
Macquarie Corporate & Asset Finance	-	1
Macquarie Asset Management	1	1
Total employees	5	8

Note 18. Events after the reporting period

There were no material events subsequent to 31 March 2019 that have not been reflected in the financial statements.