

MACQUARIE INVESTMENTS (UK) LIMITED

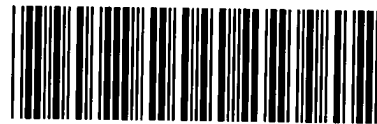
COMPANY NUMBER 4104671

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2018



The Company's registered office is:
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

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Macquarie Investments (UK) Limited

2018 Strategic Report, Directors' Report and Financial Statements

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Macquarie Investments (UK) Limited

Strategic Report for the financial year ended 31 March 2018

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

Principal activities

The principal activities of the Company during the financial year ended 31 March 2018 were to carry on the business of a finance, investment and investment holding company. Additionally, the Company began to provide intercompany funding to other Macquarie related entities.

Review of operations

The profit for the financial year ended 31 March 2018 was £220,570,593, an increase from £48,513,745 in the previous financial year.

Net operating income for the financial year ended 31 March 2018 was £201,640,830, an increase from £47,863,538 in the previous financial year.

Total operating expenses for the financial year ended 31 March 2018 were £25,037,884, an increase from £621,065 in the previous financial year.

As at 31 March 2018, the Company had net assets of £382,547,583 (2017: £441,881,360).

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 its financial statements and can be obtained from the address given in Note 21.

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, operational risk and exposure to the performance of its subsidiaries. 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.

Credit risk

Credit exposures, approvals and limits are controlled within 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.

Macquarie Investments (UK) Limited

Strategic Report (continued) for the financial year ended 31 March 2018

Financial risk management (continued)

Interest rate risk

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

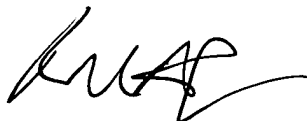
Foreign exchange risk

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



ROBERT THOMPSON
Director
4 December 2018

Macquarie Investments (UK) Limited

Company Number 4104671

Directors' Report for the financial year ended 31 March 2018

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:

M Booth
F Herold
R Thompson

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

H Everitt

Results

The profit for the financial year ended 31 March 2018 was £220,570,593 (2017: £48,513,745).

Dividends paid

Interim dividends of £279,904,370 (2017: £nil) were provided for and paid during the financial year.

State of affairs

The Company sold its wholly-owned subsidiary Levantera Developments Limited to a third party on 04 January 2018.

The Company refinanced short term capital previously with no maturity, of £260m from MEIHL to a term of 3 years on 19 December 2017.

On 20 December 2017, the Company's subsidiary, Macquarie Global Investments (UK) Limited, reduced its issued share capital by £40,000,000.

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

Events after the reporting year

In September 2018, the Directors of the Company's wholly-owned subsidiaries, Macquarie European Investment Holdings Limited, Macquarie Investments 2 Limited and Macquarie Global Investments (UK) Limited, approved the payment of interim dividends of £18,954,616, £7,744,000 and £500,000 respectively to the Company. Subsequently, the Directors of the Company approved the payment of an interim dividend of £27,198,616 to its sole shareholder, Macquarie Bank Limited (London Branch), on 26 September 2018.

On 2 November 2018, Macquarie Group Limited ("MGL"), Macquarie Financial Holdings Pty Ltd ("MFHPL"), Macquarie Bank Limited ("MBL") and Macquarie B. H. Pty Limited ("MBHPL") entered into a Restructure Deed ("Project Cook Restructure Deed") to effect an internal restructure involving the sale by MBL (together with its subsidiaries, the "Banking Group") of all of its Principal Finance businesses to MFHPL (together with its subsidiaries, the "Non-Banking Group").

As a result of the Project Cook Restructure Deed, sale of Company's investment in wholly owned subsidiary Cheeryble Developments Limited to Macquarie European Investment Holdings Limited ("MEIHL"); and sale of investment in wholly owned subsidiary MEIHL to Macquarie Principal Finance UK Limited, was approved by the Directors on 28 November 2018 to be transferred at fair value at the date of transfer.

Macquarie Investments (UK) Limited

Company Number 4104671

Directors' Report (continued) for the financial year ended 31 March 2018

Events after the reporting year (continued)

At the date of this report, the Directors are not aware of any other 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 2018 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.

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 in respect of the financial statements

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

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, including 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 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.

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.

Directors' confirmations

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.

Macquarie Investments (UK) Limited

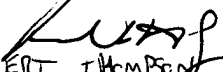
Company Number 4104671

Directors' Report (continued) for the financial year ended 31 March 2018

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,


ROBERT THOMPSON
Director

4 December 2018

Independent auditors' report to the members of Macquarie Investments (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie Investments (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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 2018; the profit and loss account, 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

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 2018 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.

Amena Shaista

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

7/ December 2018

Macquarie Investments (UK) Limited

Financial Statements

Profit and loss account for the financial year ended 31 March 2018

	Note	2018 £	2017 £
Dividend income	2(iv)	210,104,293	48,484,603
Interest receivable and similar income	4	16,574,421	-
Administrative expenses		(3,472,668)	(621,065)
Interest payable and similar expenses	5	(21,565,216)	-
Operating profit		201,640,830	47,863,538
Interest receivable and similar income	4	-	21,460,848
Interest payable and similar charges	5	-	(25,439,511)
Reversal of amounts written off investments		2,817,409	3,852,674
Other gains/(losses)	3	15,207,016	(8,890)
Profit on ordinary activities before taxation		219,665,255	47,728,659
Tax on profit on ordinary activities	6	905,338	785,086
Profit for the financial year		220,570,593	48,513,745

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

Profit on ordinary activities before taxation relate wholly to continuing operations.

There were no other comprehensive income and expenses other than those included in the results above and therefore no separate statement of comprehensive income has been presented.

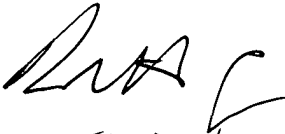
Macquarie Investments (UK) Limited

Balance sheet as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	7	629,188,164	666,398,424
Assets classified as held for sale	10	-	7,469,294
Current assets			
Deferred tax assets	6	183,858	203,291
Debtors	12	391,227,322	209,493,363
Current liabilities			
Creditors: amounts falling due within one year	13	(377,915,276)	(441,683,012)
Net current assets/(liabilities)		13,495,904	(231,986,358)
Total assets less current liabilities		642,684,068	441,881,360
Creditors: amounts falling due after more than one year	14	(260,136,485)	-
Net assets		382,547,583	441,881,360
Capital and reserves			
Called up share capital	15	299,240,622	299,240,622
Share premium account	15	200,000	200,000
Other reserves	16	79,361,839	79,361,839
Profit and loss account	17	3,745,122	63,078,899
Total shareholders' funds		382,547,583	441,881,360

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 10 to 24 were authorised for issue by the Board of Directors on 4 December 2018 and were signed on its behalf by:


 ROBERT THOMPSON
 Director

Macquarie Investments (UK) Limited

Statement of changes in equity for the financial year ended 31 March 2018

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2016	299,240,622	200,000	79,361,839	14,565,154	393,367,615
Profit after tax for the financial year	-	-	-	48,513,745	48,513,745
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	48,513,745	48,513,745
Balance at 31 March 2017	299,240,622	200,000	79,361,839	63,078,899	441,881,360
Profit after tax for the financial year	-	-	-	220,570,593	220,570,593
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	220,570,593	220,570,593
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends and distributions paid (Note 11)	-	-	-	(279,904,370)	(279,904,370)
Balance at 31 March 2018	299,240,622	200,000	79,361,839	3,745,122	382,547,583

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

Macquarie Investments (UK) Limited

Notes to the financial statements for the financial year ended 31 March 2018

Note 1. General 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 under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

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 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 IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D and 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures);
- 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; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

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:

- fair value of financial assets and liabilities; and
- impairment of subsidiaries (note 7) and interest in associate (note 8).
- recoverability of deferred tax assets (note 6).

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

Management believe 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 assets and liabilities reported.

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

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 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.

(iv) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major revenue streams 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 over the expected life of the instrument.

Other gains/losses

Other gains/losses comprises of other gains and losses relating to foreign exchange differences and gain on sale of fixed investment which are recognised in the profit and loss account.

Dividends

Interim dividends from UK companies are recognised when the dividend proceeds are received by the Company. Final dividends from investments in UK companies and dividends from investments in overseas companies are recognised when the Company becomes entitled to the dividend.

Expenses

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

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

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 difference 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, investments in subsidiaries and interests in associates. 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 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.

Investments in subsidiaries

Subsidiaries are all those entities over which the Company has the power to direct the relevant activities of the entity, exposure to significant variable returns and the ability to utilise power to affect the Company's own returns. The determination of control is based on current facts and circumstances and is continuously assessed.

The Company has power over an entity when it has existing substantive rights that give it the current ability to direct the entity's relevant activities. Relevant activities are those activities that significantly affect the entity's returns. The Company evaluates whether it has the power to direct the relevant activities. The Company also considers the entity's purpose and design. If the Company determines that it has power over an entity, the Company then evaluates whether it has exposure or rights to variable returns that, in aggregate, are significant. All variable returns are considered including, but not limited to, debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts.

The Company determines the dates of obtaining control (i.e. acquisition date) and losing control (i.e. disposal date) of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to direct the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice and whether regulatory approval is required to complete. The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Subsidiaries held by the Company are carried in its financial statements at cost less impairment in accordance with IAS 27 Separate Financial Statements.

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 2. Summary of significant accounting policies (continued)

(vi) Investments and other financial assets (continued)

Interests in associates

Associates are entities, over which the Company has significant influence, but not control, are carried at cost in accordance with IAS 27 Separate Financial Statements.

The Company determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence or jointly control the financial and operating policies of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required to complete. The acquisition/disposal date does not necessarily occur when the transaction is closed or finalised under law.

(vii) Impairment

Loan assets held at amortised cost

Loans and receivables 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 nation 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 or 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 year, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent of the amortised cost would have been had the impairment not been recognised.

An unrecoverable loan is written off, either partially or in full, against the related provision for loan impairment. This occurs when the Company concludes that there is no reasonable expectation of recovering cash flows due under the asset and all possible collateral has been realised. Recoveries of loans previously written off are recorded based on the cash received.

Interests in associates

The Company performs an assessment at each balance date to determine whether there is any objective evidence that its interests in associate is impaired. The entire carrying amount of each investment in associate is considered in the assessment.

If there is an indication that an investment in an associate may be impaired, then the entire carrying amount of the investment in associate is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Impairment losses recognised in the profit and loss for investments in associates are subsequently reversed through the profit and loss account if there has been a change in the estimate used to determine recoverable amount since the impairment loss was recognised.

An impaired investment in an associate is written off, either partially or in full, when there is no reasonable expectation of recovering cash flows from the investment, and all avenues of recovery have been exhausted. Recoveries from investments in associates previously written off are recorded based on the cash received.

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 2. Summary of significant accounting policies (continued)

(vii) Impairment (continued)

Investments in subsidiaries

Investments in subsidiaries are reviewed annually for indicators of impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use). At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of the impairment.

(viii) 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.

(ix) Called up share capital

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

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018	2017
	£	£

Note 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

Foreign exchange (gains)/losses	(128,507)	8,890
Gain on sale of fixed asset investment	(15,078,509)	-
Fees payable to the Company's auditors for the audit of the Company	21,979	21,263

The Company had no employees during the year (2017: nil).

Note 4. Interest receivable and similar income

Interest receivable from other Macquarie Group undertakings	16,574,421	21,460,848
Total interest receivable and similar income	16,574,421	21,460,848

Note 5. Interest payable and similar charges

Interest payable to other Macquarie Group undertakings	21,565,216	25,439,511
Total interest payable and similar charges	21,565,216	25,439,511

Note 6. Tax on profit on ordinary activities

(i) Tax expense included in profit or loss

Current tax

UK corporation tax at 19% (2017: 20%)	969,585	959,906
Adjustments to tax in respect of prior years	(45,183)	(370,941)
Foreign tax suffered	369	-
Total current tax	924,771	588,965

Deferred tax

Origination and reversal of timing differences	(60,372)	(38,182)
Adjustments to tax in respect of prior years	37,949	269,381
Change in tax rate	2,990	(35,078)
Total deferred tax	(19,433)	196,121
Tax on profit on ordinary activities	905,338	785,086

(ii) Reconciliation of effective tax rate

The income tax credit for the year ended 31 March 2018 is lower (2017: equal to) than the standard rate of corporation tax in the UK of 19% (2017: 20%) as outlined below:

Profit before taxation	219,665,255	47,728,659
Current tax charge at 19% (2017: 20%)	(41,736,399)	(9,545,732)
Effects of:		
Adjustments to tax in respect of prior years	(7,235)	(101,560)
Non deductible expenses	(674,442)	770,535
Effect of changes in tax rates	2,990	(35,078)
Foreign tax suffered	369	-
Non assessable income	43,320,055	9,696,921
Total tax on profit on ordinary activities	905,338	785,086

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.

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018 £	2017 £
Note 6. Tax on profit on ordinary activities (continued)		
(iii) Deferred tax comprises timing differences attributable to:		
Deferred tax assets		
Financial instruments	183,858	203,291
Total deferred income tax assets	183,858	203,291
Deferred tax assets	183,858	203,291
(iv) Reconciliation of the Company's movement in deferred tax:		
Balance at the beginning of the financial year	203,291	7,169
Timing differences:		
Deferred tax credited to income statement for the period	(60,372)	(38,182)
Adjustments to tax in respect of prior years	37,949	269,382
Change in tax rate	2,990	(35,078)
Balance at the end of the financial year	183,858	203,291

Note 7. Investments

Interests in associates (note 8)	3,327,465	3,355,134
Investment in subsidiaries (note 9)	625,860,699	663,043,290
Total investments	629,188,164	666,398,424

Note 8. Interests in associates

Investments at cost	410,782	438,452
Investments at cost with provisions for impairment	4,300,000	4,300,000
Less provisions for impairment	(1,383,317)	(1,383,317)
Total fixed assets investments	3,327,465	3,355,134

Name of investment	Nature of business	Country of Incorporation	% of ownership	2018 £	2017 £
Interests in associates					
Berkeley Futures Limited	Futures & options broker	United Kingdom	19.9	2,916,683	2,916,683
Quadra Commodities S.A.	Commodity trader	Switzerland	17.7	410,782	438,452
Total interests in associates				3,327,465	3,355,134

The Company also holds 1 share in Macquarie Structured Securities (Europe) Public Limited Company. The share is held on trust for Macquarie European Investment Holdings Limited. No consideration was paid for the share and the share does not have any value on the balance sheet.

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018	2017
	£	£
Note 9. Investments in subsidiaries		
Investments at cost without provisions for impairment	465,828,817	505,828,817
Investments at cost with provisions for impairment	173,547,849	173,547,849
Less provisions for impairment	(13,515,967)	(16,333,376)
Investments at recoverable amount	160,031,882	157,214,473
Total investments in subsidiaries	625,860,699	663,043,290

Name of investment	Nature of business	Country of Incorporation	% of ownership	2018	2017
				£	£
Investments in subsidiaries					
Bunhill Investments Unlimited	Investment company	Jersey	100	101,197,054	101,197,054
Macquarie Global Investments (UK) Limited	Funding Vehicle	United Kingdom	100	3,072,830	41,153,963
Macquarie European Investment Holdings Limited	Holding company	United Kingdom	100	270,314,750	270,314,750
Macquarie Investments 2 Limited	Holding company	United Kingdom	100	35,502,593	35,502,593
Hydra Investments 2007 Limited	Investment company	Jersey	100	158,635,599	158,635,599
Cheeryble Developments Limited	Property company	United Kingdom	100	4,018,155	4,018,155
Macquarie Corporate and Asset Finance 2 Limited	Operating and finance leasing	United Kingdom	100	2,869,716	1,971,174
Macquarie Asset Finance Holdings Limited	Holding company	United Kingdom	100	50,250,002	50,250,002
Total investments in subsidiaries				625,860,699	663,043,290

Note 10. Assets classified as held for sale

Investment in subsidiary ¹	-	7,469,294
Total assets classified as held for sale	-	7,469,294

¹Investment in Levantera Developments Limited ("Levantera"), which was a 100% owned subsidiary of the Company, was sold on 4 January 2018 to a third party.

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018	2017
	£	£
Note 11. Dividends paid		
2018 interim dividends paid (2017: nil)	279,904,370	-
Total dividends paid (note 17)	279,904,370	-

Note 12. Debtors

Loan to Macquarie Bank Limited ¹	-	205,272,210
Amounts owed by other Macquarie Group undertakings ²	390,258,909	4,192,662
Other debtors	968,413	28,491
Total debtors	391,227,322	209,493,363

¹On 19 June 2017, Macquarie Bank Limited (London Branch) repaid £205m of principal and the associated accrued interest to the Company.

²Amounts owed by 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 2018 the rate applied ranged between LIBOR plus 1.25% and LIBOR plus 2.26% (2017: between LIBOR plus 1.39% and LIBOR plus 2.46%).

Note 13. Creditors: Amounts falling due within one year

Amounts owed to other Macquarie Group undertakings ¹	377,262,795	236,410,336
Subordinated bonds ²	-	205,272,210
Other creditors	652,481	466
Total creditors: amount falling due within one year	377,915,276	441,683,012

¹Amounts 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 2018 the rate applied was LIBOR plus 1.36% (2017: LIBOR plus 1.39%).

²On 20 June 2017, the Company redeemed unsecured subordinated bonds ("Macl Bonds") and associated accrued interest.

Note 14. Creditors: Amounts falling due after more than one year

Amounts owed to other Macquarie Group undertakings ¹	260,136,485	-
Total creditors: amount falling due after more than one year	260,136,485	-

¹Amounts owed to other Macquarie Group undertaking represent unsecured loan facilities with Macquarie European Investments Holding Limited. The Company incurs interest at the rate of LIBOR plus 1.36% (2017: nil) and the loan is due to mature in December 2020.

Note 15. Called up share capital

	2018	2017	2018	2017
	Number of shares	Number of shares	£	£
Ordinary share capital				
Opening balance of fully paid ordinary shares	369,432,867	369,432,867	299,240,622	299,240,622
Closing balance of fully paid ordinary shares	369,432,867	369,432,867	299,240,622	299,240,622
Share premium account				
Opening balance of share premium account			200,000	200,000
Closing balance of share premium account			200,000	200,000

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018	2017
	£	£
Note 16. Other reserves and profit and loss account		
Capital redemption reserve		
Balance at the beginning of the financial year	79,361,839	79,361,839
Balance at the end of the financial year	79,361,839	79,361,839
Note 17. Profit and loss account		
Balance at the beginning of the financial year	63,078,899	14,565,154
Profit attributable to ordinary equity holders of Macquarie Investments (UK) Limited	220,570,593	48,513,745
Dividends paid (note 11)	(279,904,370)	-
Balance at the end of the financial year	3,745,122	63,078,899

Note 18. 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 21.

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.

Details of holdings by subsidiary undertakings as at 31 March 2018 are as below:

Name of related party	Registered office	% ownership	Class of shares
Subsidiaries of Hydra Investments 2007 Limited			
Macquarie Investments (Singapore) Limited	Walker House, 87 Mary Street PO Box 908, George Town Grand Cayman, KY1-9005 Cayman Islands	100	Ordinary shares Preference shares
Subsidiaries of Macquarie Asset Finance Holdings Limited			
Macquarie UK Passenger Leasing Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares
Macquarie European Rail Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares
Subsidiaries of Macquarie European Investment Holdings Limited			
Energetics Topco limited	International House, Stanley Boulevard Hamilton International Technology Park Glasgow, Scotland, G72 0BN United Kingdom	91.3	Class A, B, C, and E Ordinary shares
Macquarie Structured Securities (Europe) Public Limited Company	First Floor Connaught House 1 Burlington Road Dublin 4 Ireland	99.9	Ordinary shares
Sonne Solar Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 18. Related party information (continued)

Name of related party	Registered office	% ownership	Class of shares
Macquarie Euro Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares
Macquarie Denmark Limited A/S	Harbour House Sundkrogsgade 21 2100 Copenhagen Denmark	100	Ordinary shares
Macquarie France SARL	41 Avenue George V 75008 Paris France	100	Ordinary shares
Macquarie Investments Deutschland GmbH	OperrTurm Bockenheimer Landstrasse 2-4 60306 Frankfurt am Main Germany	99.9	Ordinary shares
Mitochon Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares
Macquarie Structured Products (Europe) GmbH	OperrTurm Bockenheimer Landstrasse 2-4 60306 Frankfurt am Main Germany	100	Ordinary shares
NASU Energy Storage Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	75	A Ordinary shares
Macquarie Distribution Finance Ltd.	Claridenstrasse 41 CH-8002 Zurich Switzerland	100	Common shares
Subsidiaries of Macquarie Investments 2 Limited			
Macquarie Corona Energy Holdings Limited	Edward Hyde Building 38 Clarendon Road Watford, England WD17 1JW United Kingdom	100	Ordinary shares Redeemable Golden shares
Macquarie Specialised Investment Solutions Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares
Macquarie Restorations Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares
Macquarie Investments 1 Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares
Macquarie Leasing Limited	Ropemaker Place 28 Ropemaker Street London, EC2Y 9HD United Kingdom	100	Ordinary shares

Macquarie Investments (UK) Limited

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 18. Related party information (continued)

Name of related party	Registered office	% ownership	Class of shares
Subsidiaries of Macquarie Investments 2 Limited (continued)			
Macquarie Management GmbH	OperrTurm Bockenheimer Landstrasse 2-4 60306 Frankfurt am Main Germany	100	Ordinary share

Note 19. Directors' emoluments

During the financial years ended 2018 and 2017, 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 20. 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 21. Ultimate parent undertaking

At 31 March 2018 the immediate parent undertaking of the Company is Macquarie Bank Limited, London Branch.

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 Bank Limited ("MBL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MBL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, NSW 2000, Australia.

Note 22. Events after the reporting year

In September 2018, the Directors of the Company's wholly-owned subsidiaries, Macquarie European Investment Holdings Limited, Macquarie Investments 2 Limited and Macquarie Global Investments (UK) Limited, approved the payment of interim dividends of £18,954,616, £7,744,000 and £500,000 respectively to the Company. Subsequently, the Directors of the Company approved the payment of an interim dividend of £27,198,616 to its sole shareholder, Macquarie Bank Limited (London Branch), on 26 September 2018.

On 2 November 2018, Macquarie Group Limited ("MGL"), Macquarie Financial Holdings Pty Ltd ("MFHPL"), Macquarie Bank Limited ("MBL") and Macquarie B. H. Pty Limited ("MBHPL") entered into a Restructure Deed ("Project Cook Restructure Deed") to effect an internal restructure involving the sale by MBL (together with its subsidiaries, the "Banking Group") of all of its Principal Finance businesses to MFHPL (together with its subsidiaries, the "Non-Banking Group").

As a result of the Project Cook Restructure Deed, sale of Company's investment in wholly owned subsidiary Cheeryble Developments Limited to Macquarie European Investment Holdings Limited ("MEIHL"); and sale of investment in wholly owned subsidiary MEIHL to Macquarie Principal Finance UK Limited, was approved by the Directors on 28 November 2018 to be transferred at fair value at the date of transfer.

There were no other material events subsequent to 31 March 2018 that have not been reflected in the financial statements.