

Macquarie European Rail Limited
COMPANY NUMBER 08253782

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

Macquarie European Rail Limited

2018 Strategic Report, Directors' Report and Financial Statements

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Macquarie European Rail Limited

Strategic Report for the financial year ended 31 March 2018

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

Principal activities

The principal activity of the Company during the financial year was the lease of UK and Continental Europe freight and passenger rail assets under operating leases. The assets were deployed in the UK and Northern Europe. The Continental Europe freight was sold during the financial year.

The Company operated a branch in Luxembourg which was originally established to acquire and service the Northern European rail assets.

Review of operations

The profit for the financial year ended 31 March 2018 was £124,192,229, an increase from £17,793,937 in the previous financial year.

Operating profit for the financial year ended 31 March 2018 was £14,848,450, a decrease from £18,587,978 in the previous financial year.

Administrative expenses for the financial year ended 31 March 2018 was £11,993,227, a decrease from £14,522,034 in the previous financial year.

As at 31 March 2018, the Company had net assets of £85,603,944 (2017: £89,856,534).

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 22.

Financial risk management

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

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

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

Financial risk management (Continued)

Credit risk

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

Liquidity risk

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

Interest rate risk

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

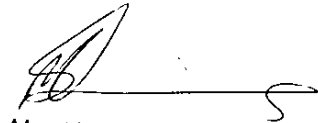
Foreign exchange risk

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

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



MICHAEL SIMS

Director

25th October 2018

Macquarie European Rail Limited

Company Number 08253782

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:

T Durham	(appointed on 11 January 2018)
J Liddy	(resigned on 11 January 2018)
M Sims	(appointed on 11 January 2018)
L Tricarico	(resigned on 11 January 2018)
J Watkinson	

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

H Everitt

Results

The profit for the financial year ended 31 March 2018 was £124,192,229 (2017: £17,793,937).

The Luxembourg branch contributed a profit of £118,257,239 to the overall profit on ordinary activities before taxation of £127,190,375. In the prior financial year the branch contributed a profit of £12,002,938 to the overall profit on ordinary activities before taxation of £17,893,480.

Dividends paid or provided for

Interim dividends of £129,404,370 (2017: £23,000,000) were provided for and paid during the financial year.

State of affairs

The Company operated a branch in Luxembourg which was originally established to acquire and service the Northern European rail assets. During the financial year these assets were sold to Macquarie European Rail GmbH.

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 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.

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.

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.

Macquarie European Rail Limited

Company Number 08253782

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and 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 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. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

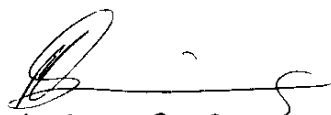
In the case of each Director in office at the date the Directors' Report is approved:

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

Independent Auditors

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

On behalf of the Board



MICHAEL SIMS
Director

25th October 2018

Independent auditors' report to the members of Macquarie European Rail Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie European Rail 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 comprehensive income, 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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 October 2018

Macquarie European Rail Limited

Financial Statements

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

	Note	2018 £	2017 £
Turnover	2(iv)	23,817,964	32,760,601
Administrative expenses	3	(11,993,227)	(14,522,034)
Other operating income		3,023,713	349,411
Operating profit		14,848,450	18,587,978
Interest receivable and similar income	4	3,722,090	1,599,058
Interest payable and similar charges	5	(3,694,324)	(2,421,766)
Profit on disposal of property, plant & equipment	3	112,314,159	128,210
Profit on ordinary activities before taxation		127,190,375	17,893,480
Tax on profit on ordinary activities	6	(2,998,146)	(99,543)
Profit for the financial year		124,192,229	17,793,937

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

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

Macquarie European Rail Limited

Statement of comprehensive income for the financial year ended 31 March 2018

	Note	2018 £	2017 £
Profit for the financial year	15	124,192,229	17,793,937
Exchange differences on translation of foreign operations, net of hedge	15	959,550	(78,189)
Other comprehensive income/(expense)	15	959,550	(78,189)
Total comprehensive income		125,151,779	17,715,748
Total comprehensive income attributable to ordinary equity holders of the Company		125,151,779	17,715,748

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

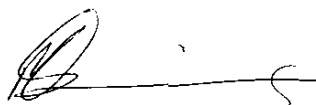
Macquarie European Rail Limited

Balance sheet as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Property, plant and equipment	9	42,421,656	233,168,306
Current assets			
Debtors	10	147,501,142	91,666,855
Cash at bank and in hand	11	911,147	1,810,807
Current liabilities			
Creditors: amounts falling due within one year	12	(60,148,599)	(80,025,090)
Deferred tax liabilities	6	(1,326,979)	(232,417)
Net current assets		86,936,711	13,220,155
Total assets less current liabilities		129,358,367	246,388,461
Creditors: amounts falling due after more than one year	13	(43,754,423)	(156,531,927)
Net assets		85,603,944	89,856,534
Capital and reserves			
Called up share capital	14	59,889,135	59,889,135
Other reserves	15	(478,551)	(1,438,101)
Profit and loss account	15	26,193,360	31,405,500
Total shareholders' funds		85,603,944	89,856,534

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 9 to 26 were authorised for issue by the Board of Directors on *25th October* 2018 and were signed on its behalf by:



MICHAEL SIMS
Director

Macquarie European Rail Limited

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

	Note	Called up share capital £	Other reserves £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2016		59,889,135	(1,359,912)	36,611,563	95,140,786
Profit for the financial year		-	-	17,793,937	17,793,937
Other comprehensive expense	15	-	(78,189)	-	(78,189)
Total comprehensive income		-	(78,189)	17,793,937	17,715,748
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	7	-	-	(23,000,000)	(23,000,000)
Balance at 31 March 2017		59,889,135	(1,438,101)	31,405,500	89,856,534
Profit for the financial year		-	-	124,192,229	124,192,229
Other comprehensive income	15	-	959,550	-	959,550
Total comprehensive income		-	959,550	124,192,229	125,151,779
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	7	-	-	(129,404,370)	(129,404,370)
Balance at 31 March 2018		59,889,135	(478,551)	26,193,360	85,603,944

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 European Rail Limited

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

Note 1. Company information

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom ("UK") 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 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 (including derivative instruments) measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

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

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

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received as determined);
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities to the extent that they apply to non-financial assets);
- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 38 of International Accounting Standards ("IAS") 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
 - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
 - Paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliation of carrying amount at beginning and end of period).
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D and 111 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'.

Macquarie European Rail Limited

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

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. 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 financial liabilities (note 21);
- recoverability of deferred tax assets and measurement of current and deferred tax liabilities (note 6)
- impairment of assets held under operating leases (notes 2(x) and 9); and
- maintenance reserve liability (note 2(xvi)).

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 assets and liabilities reported.

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 translation

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. The Company's foreign branch in Luxembourg has a functional currency of Euro.

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, except when deferred in equity as a result of meeting net investment in foreign operation hedge accounting requirements.

Exchange differences arising from the translation of the Company's foreign branch which has a functional currency of Euro are taken to reserves.

iv) Turnover and expense recognition

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

- Operating lease income.
- Fees from entities within the Macquarie Group for work performed on global group activities, which are brought to account on an accrual basis.

Operating lease income

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Operating lease income is included within the turnover line in the profit and loss account.

All lease rentals received but unearned under the lease agreements are recorded as deferred income in creditors on the balance sheet until earned.

Macquarie European Rail Limited

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

Note 2. Summary of significant accounting policies (continued)

iv) Turnover and expense recognition (continued)

Net interest income/expense

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

Other operating income

Other operating income comprises other losses and gains relating to foreign exchange differences including all realised and unrealised fair value changes on derivatives which are recognised in the profit and loss account.

Expenses

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

v) Taxation

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

vi) Derivative instruments

Derivative instruments entered into by the Company include interest rate swaps and currency swaps. These derivative instruments are principally used for the risk management of existing financial assets and financial liabilities.

All derivatives, including those held for hedging purposes, are recognised on the balance sheet and are disclosed as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance sheet date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Movements in the fair values of derivatives are recognised in the profit and loss, unless the derivative meets the requirements for hedge accounting.

The best evidence of a derivative's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Company recognises profits or losses immediately when the derivative is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the profit and loss account over the life of the transaction or when the inputs become observable.

vii) Hedge accounting

The Company designates certain derivatives or financial instruments as hedging instruments in qualifying hedge relationships. On initial designation of the hedge, the Company documents the hedge relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether hedging relationships have been and will continue to be highly effective. Derivatives are designated as net investment in foreign operation hedges.

Net investment hedges

For a derivative or borrowing designated as hedging a net investment in a foreign operation, the gain or loss on revaluing the derivative or borrowing associated with the effective portion of the hedge is recognised in the foreign currency translation reserve and subsequently released to the profit and loss when the foreign operation is disposed of. The ineffective portion is recognised in the profit and loss immediately.

The fair values of various financial instruments used for hedging purposes are disclosed in note 21.

viii) Investments and other financial assets

Assets are classified into the following categories: loans and receivables and other financial assets at fair value through profit or loss.

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.

Macquarie European Rail Limited

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

Note 2. Summary of significant accounting policies (continued)

ix) Impairment

Loans and receivables

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.

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

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

x) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Property, plant and equipment assets are reviewed for impairment at each reporting date. Historical cost includes expenditure directly attributable to the acquisition of the asset.

Depreciation on assets is calculated on a straight-line basis to allocate the difference between cost and residual value over the estimated useful lives, as follows:

Leasehold improvements	10 to 20 percent
Assets under operating leases	2 to 50 percent

Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount. Adjustments arising from such items and on disposal are recognised in the profit and loss.

Gain and loss on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised in the profit and loss.

xi) Intangible assets

Intangible assets relates to customer contracts which arose as a result of the acquisition of the business. The intangible asset was considered to have a finite useful life of 42 months and was carried at cost less accumulated amortisation and impairment losses using the straight-line method over the estimated useful life. Amortisation is calculated based on the estimated useful life.

Impairment

Intangible assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. For intangible assets that have a finite useful life, an assessment is made at each reporting date for indications of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Macquarie European Rail Limited

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

Note 2. Summary of significant accounting policies (continued)

xii) Provisions

Employee benefits

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

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

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

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

xiii) Performance based remuneration

Share based payments

The ultimate parent entity, MGL, operates share based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan ("MEREP") granted to employees under share acquisition plans. Information relating to these schemes is set out in note 18 – Employee equity participation. The Company recognises a prepaid asset at grant for these awards, where MGL is reimbursed in advance. This amount is recognized as an expense over the respective vesting periods. MGL recognises a corresponding increase in equity for these equity settled awards granted to employees.

The awards are measured at the grant dates based on their fair value and using the number of equity instruments expected to vest.

Profit share remuneration

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

xiv) Cash at bank

Cash at bank comprises cash balances and call deposits with qualifying financial institutions. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed.

xv) Leases

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are operating leases.

Leases entered into by the Company as lessee are operating leases. The total fixed payments made under operating leases are charged to the profit and loss on a straight-line basis over the period of the lease.

Purchased assets, where the Company is the lessor under operating leases, are carried at cost and depreciated over their useful lives which vary depending on each class of asset and ranges from 2 to 50 years.

Macquarie European Rail Limited

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

Note 2. Summary of significant accounting policies (continued)

xvi) Maintenance reserve

Under the provisions of all of the leases, lessees are responsible for maintenance and repairs, including major maintenance events ("MMEs") over the term of the lease. The Company is frequently involved in the procurement of MMEs, either through the lessee or directly from a maintenance provider. Where the MMEs are procured through the lessee, the Company will typically agree the level of lessor contribution to the MMEs at the commencement of the lease. Where the Company contracts directly with the maintenance provider, the cost is the responsibility of the Company.

The Company entered into arrangements where the 3rd party maintenance reserve obligations are assumed by MBL ("Macquarie Bank Limited") under a defeasance arrangement in return for which the Company agrees to reimburse MBL for any payments arising in respect of such maintenance reserve obligations. To assist in funding MMEs the Company typically collects periodic cash payments from lessees, in addition to lease rentals, which are recorded as an intercompany payable in the balance sheet. These payments are calculated by considering current cost estimates of MMEs over the economic useful life of the assets, taking into actual and forecast usage of the asset. In some cases the lease rentals implicitly include an amount for the cost of MMEs and this portion of the lease rentals is also recorded as a liability in the balance sheet. Under certain leases, periodic cash payments are not collected and under these leases the lessee is either directly responsible for funding the MMEs or, where the MMEs occur after the expiration of the lease, the lessee is obligated to make an end of lease payment representing its consumption of the estimated value of the whole life maintenance costs. When the Company makes a payment for MMEs, the maintenance reserve liability is reduced.

The maintenance reserve liability is tested periodically. Where the maintenance reserve liability is forecast to be inadequate to fund future MMEs and the deficit is unlikely to be recovered from existing or future lessees, the Company will book an expense and credit the maintenance liability equal to the deficit. Where the maintenance reserve liability is forecast to be higher than required, the Company may adjust the liability accordingly and release the surplus to income.

Balances related to maintenance which have been defeased to MBL are not charged contractual interest. Other than the payables related to maintenance, amounts owed to Macquarie Group undertakings are periodically settled through a Macquarie Group process for managing intercompany balances. The defeased balances are settled when the related claims are reimbursed to lessees or when the lease terminates.

xvii) Offsetting financial assets and financial liabilities

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.

xviii) 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 European Rail 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):		
Wages and salaries	568,576	799,660
Social security costs	69,032	81,028
Share based payment costs	39,830	53,330
Staff costs	677,439	934,018
Operating lease income	(24,629,044)	(33,871,115)
Foreign exchange (gains)/losses	(596,763)	162,517
Amortisation of intangible assets	-	63,478
Depreciation expense	7,006,375	10,382,511
Service fees paid to other Macquarie Group undertakings	3,392,419	2,227,934
Gain on disposal of tangible assets	(112,314,159)	(128,210)
Rent and occupancy costs	76,488	79,796
Fees payable to the Company's auditors for the audit of the Company	22,051	32,743
The Company had 1 employee during the year (2017: 4).		
Note 4. Interest receivable and similar income		
Interest receivable from other Macquarie Group undertakings	3,722,090	1,599,058
Total interest receivable and similar income	3,722,090	1,599,058
Note 5. Interest payable and similar charges		
Interest payable to other Macquarie Group undertakings	3,694,324	2,421,766
Total interest payable and similar charges	3,694,324	2,421,766
Note 6. Taxation		
i) Tax expense included in profit or loss		
Current tax		
UK corporation tax at 19% (2017: 20%)	(474,254)	(288,781)
Adjustments in respect of previous periods	(152,490)	3
Foreign tax incurred	(1,276,840)	(315,090)
Current tax	(1,903,583)	(603,868)
Deferred tax		
Origination and reversal of timing differences	(974,350)	(318,091)
Adjustments in respect of previous periods	68,713	733,772
Effect of changes in tax rates	(188,925)	88,644
Total deferred tax	(1,094,562)	504,325
Tax on profit on ordinary activities	(2,998,146)	(99,543)

Macquarie European Rail Limited

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

	2018	2017
	£	£
Note 6. Taxation (continued)		
ii) Tax income/(expense) included in other comprehensive income		
Foreign currency translation reserve	960	(78,189)
Total tax benefit relating to items of other comprehensive income	960	(78,189)
iii) Reconciliation of effective tax rate		
The income tax expense for the period is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:		
Profit before taxation	127,190,374	17,893,480
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(24,166,171)	(3,578,696)
Effects of:		
Adjustments in respect of previous periods	(83,777)	733,775
Change in tax rate	(188,925)	88,644
Foreign tax incurred	(1,276,840)	(315,090)
Non assessable income	22,717,567	2,971,824
Total tax on profit on ordinary activities	(2,998,146)	(99,543)
The tax rate for the current year is lower than the prior year due to change in the UK Corporation tax rate. The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2018, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured at 17%.		
iv) Deferred tax comprises timing differences attributable to:		
Deferred tax assets		
Financial instruments & revaluations	107,815	997,928
Total deferred tax assets	107,815	997,928
Deferred tax liabilities		
Fixed assets	(1,434,795)	(1,230,345)
Total deferred tax liabilities	(1,434,795)	(1,230,345)
Deferred tax liabilities	(1,326,979)	(232,417)
v) Reconciliation of the Company's movement in deferred tax		
Balance at the beginning of the financial year	(232,417)	(736,742)
Adjustment in respect of previous periods	68,713	733,772
Deferred tax charged to profit and loss account for the period	(974,350)	(318,091)
Effect of changes in tax rates	(188,925)	88,644
Balance at the end of the financial year	(1,326,980)	(232,417)

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

Macquarie European Rail Limited

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

	2018	2017
	£	£
Note 7. Dividends and distributions paid or provided for		
Dividends (and distributions) paid		
Dividend paid	(129,404,370)	(23,000,000)
Total dividends paid (note 15)	(129,404,370)	(23,000,000)

Note 8. Intangible assets

Customer relationship contracts

Cost	-	63,256
Less accumulated amortisation	-	(63,256)
Total intangible assets	-	-

Intangible assets were fully amortised during the prior financial year.

Note 9. Property, plant and equipment

Computer equipment

Cost	18,776	18,220
Less accumulated depreciation	(18,776)	(17,271)
Total computer equipment	-	949

Assets under operating leases

Cost	51,602,517	276,467,275
Less accumulated depreciation	(9,180,861)	(43,299,918)
Total assets under operating leases	42,421,656	233,167,357

Total property, plant and equipment	42,421,656	233,168,306
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The future minimum lease payments expected to be received under non-cancellable leases are as follows:

Not later than one year	5,693,931	30,368,426
Later than one year and not later than five years	10,830,413	56,097,865
Later than five years	-	8,802,464
Total future minimum lease payments receivable	16,524,345	95,268,755

Macquarie European Rail Limited

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

	2018	2017
	£	£
Note 10. Debtors		
Amounts owed from other Macquarie Group undertakings ¹	147,454,386	91,511,570
Other debtors	46,756	155,285
Total debtors	147,501,142	91,666,855

¹Amounts owed from other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany balances to group undertakings at market rates and at 31 March 2018 the rate applied ranged between LIBOR plus 1.15% and LIBOR plus 1.36%. (31 March 2017: LIBOR plus 1.67%).

Note 11. Cash at bank and in hand

Cash at bank	911,147	1,810,807
Total cash at bank and in hand	911,147	1,810,807

Note 12. Creditors: amounts falling due within one year

Amounts owed to Macquarie Group undertakings ¹	57,230,172	72,803,378
Accruals and deferred income	222,500	1,409,104
Other financial market liabilities ²	638,345	4,390,801
Other creditors	255,736	439,088
Taxation	1,801,845	982,719
Total creditors: amounts falling due within one year	60,148,598	80,025,090

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% (31 March 2017: LIBOR plus 1.53%).

²Other financial market liabilities represents derivative instruments.

Note 13. Creditors: amounts falling due after more than one year

Amounts owed to Macquarie Group undertakings ¹	43,754,423	156,531,927
Total creditors: amounts falling due within one year	43,754,423	156,531,927

¹Amounts owed to other Macquarie Group undertakings are unsecured and have a maturity date of 3 years beginning 12 April 2016. 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%. The £7,657,115 balance related to maintenance which have been defeased to MBL is not charged contractual interest. Other than the payables related to maintenance, amounts owed to Macquarie Group undertakings are periodically settled through a Macquarie Group process for managing intercompany balances. The defeased balances are settled when the related claims are reimbursed to lessees or when the lease terminates.

Macquarie European Rail Limited

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

Note 14. Called up share capital

	2018	2017	2018	2017
	Number of shares	Number of shares	£	£
Ordinary share capital				
Opening balance of fully paid ordinary shares at £1 each	59,889,135	59,889,135	59,889,135	59,889,135
Closing balance of fully paid ordinary shares	59,889,135	59,889,135	59,889,135	59,889,135

Note 15. Other reserves and profit and loss account

Other reserves

Foreign currency translation reserve

Balance at the beginning of the financial year			(1,438,101)	(1,359,912)
Currency translation differences arising during the financial year			959,550	(78,189)
Balance at the end of the year			(478,551)	(1,438,101)

Profit and loss account

Balance at the beginning of the financial year			31,405,500	36,611,563
Profit for the financial year			124,192,229	17,793,937
Distributions paid or provided			(129,404,370)	(23,000,000)
Balance at the end of the year			26,193,359	31,405,500

Note 16. 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 22.

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

Note 17. Directors' remuneration

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.

Macquarie European Rail Limited

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

Note 18. Employee equity participation Macquarie Group Employee Retained Equity Plan

The ultimate parent entity, MGL continues to operate the MEREP in conjunction with other remuneration arrangements.

Award Types under the MEREP

Restricted Share Units (RSUs)

A RSU is a beneficial interest in the 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 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. DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical, or where PSUs are structured as DSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares. DSUs have been granted with an expiry period of up to eight years.

The awards are measured at their grant dates based on their fair value. This amount is recognized as an expense evenly over the respective vesting periods and the equity provided is treated as a prepaid asset in advance where MGL is reimbursed.

RSUs and DSUs have been granted in the current financial year in respect of 2017. The fair value of each of these grants is estimated using MGL's share price on the date of grant.

While RSUs and DSUs for the financial year 2018 will be granted during the financial year 2019, the Company begins recognizing an expense for these awards (based on an initial estimate) from 1 April 2017. The expense is estimated using the price of MGL ordinary shares as at 31 March 2018 and the number of equity instruments expected to vest.

In the following financial year, the Company will adjust the accumulated expense recognized for the final determination of fair value for each RSU and DSU when granted, and will use this validation for recognizing the expense over the remaining vesting period.

The ultimate parent MGL annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity (for equity settled awards).

For the financial year ended 31 March 2018, compensation expense relating to the MEREP totalled £37,348 (2017: £56,295).

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

- 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).

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

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

Macquarie European Rail Limited

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

Note 18. Employee equity participation (continued)

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 2017 retention, the allocation price was the weighted average price of the Shares acquired for the 2017 purchase period, which was 16 May 2017 to 22 June 2017. That price was calculated to be AUD\$ 89.25 (2016 retention: AUD\$ 71.55).

Note 19. 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.

	2018	2017
	£	£
Note 20. Lease commitments		
Non-cancellable operating leases expiring:		
Not later than one year	32,013	68,558
Later than one year and not later than five years	-	228,778
Later than five years	-	-
Total operating lease commitments	32,013	297,336

Operating leases relate to office space. The future lease commitments disclosed are net of any rental incentives received.

Note 21. Derivative financial instruments

Objectives of holding derivative financial instruments

The Company uses derivatives to economically hedge for asset and liability management. Certain derivative transactions may qualify as net investment in foreign operations hedges, if they meet the appropriate strict hedge criteria outlined in note 2(vii) – Summary of significant accounting policies: Hedge accounting.

Fair value hedges: The Company's fair value hedges consist of:

- interest rate swaps used to hedge against changes in the fair value of fixed rate assets and liabilities as a result of movements in benchmark interest rates.

As at 31 March 2018, the fair value of outstanding derivatives held by the Company and designated as fair value hedges was £638,345 negative value (2017: £4,203,095 negative value).

Net investment in foreign operations hedges

At 31 March 2018, the fair value of outstanding derivatives held by the entity and designated as net investment in foreign operations hedges was £0 value (2017: £187,707 negative value).

The types of derivatives which the Company trades and uses for hedging purposes are detailed below:

Swaps

Swap transactions provide for two parties to swap a series of cash flows in relation to an underlying principal amount, usually to exchange a fixed interest rate for a floating interest rate. Cross-currency swaps provide a tool for two parties to manage risk arising from movements in exchange rates.

Macquarie European Rail Limited

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

Note 22. Ultimate parent undertaking

At 31 March 2018, the immediate parent undertaking of the Company is Macquarie Asset Finance Holdings Limited.

The ultimate parent undertaking and controlling party of the Company is MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie 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, New South Wales, 2000, Australia.

Note 23. Events after the reporting period

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