Macquarie Infrastructure and Real Assets (Europe) Limited

COMPANY NUMBER 03976881

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2020

MACQUARIE

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

Macquarie Infrastructure and Real Assets (Europe) Limited

2020 Strategic Report, Directors' Report and Financial Statements
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Strategic Report
for the financial year ended 31 March 2020

In accordance with a resolution of the directors (the "Directors") of Macquarie Infrastructure and Real Assets (Europe) Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities

The Company is regulated by the Financial Conduct Authority ("FCA") and also holds an Alternative Investment Fund Managers Directive ("AIFMD") licence. The principal activity of the Company is to undertake investment management and advisory activities.

The Company acts as a liquidating trustee for Macquarie European Infrastructure Fund LP ("MEIF 1"). The Company acts as a discretionary investment manager of Macquarie European Infrastructure Fund II ("MEIF 2"), Macquarie European Infrastructure Fund III ("MEIF 3"), Macquarie European Infrastructure Fund 4 LP ("MEIF 4"), Macquarie European Infrastructure Fund 5 ("MEIF 5") (which comprises Macquarie European Infrastructure Fund 5 LP and Macquarie European Infrastructure Fund 5 SCSp), Macquarie European Infrastructure Fund 6 SCSp ("MEIF 6") and Macquarie Super Core Infrastructure Fund SCSp ("MSCIF"), each of which own a portfolio of infrastructure investments. The Company is the manager for various feeder entities. The Company also advises MPF Holdings Limited ("MPF"), Harry Holdings S.à.r.l. ("Harry"), MIRA UK Gas Holdings LP, Macquarie Infrastructure Partners IV SCSp ("MIP IV"), and Lombard Odier Macquarie Infrastructure Fund L.P ("LMIF"), Macquarie Asia Investment Fund EU Feeder LP ("MAIF") and Macquarie Asia Infrastructure Fund II SCSp ("MAIF 2").

The Company also acts as a liquidating trustee of Macquarie Russia & CIS Infrastructure Fund ("MRIF"), a fund mandated to invest in infrastructure projects in Russia and other Commonwealth of Independent States.

The Company has technical and advisory service agreements with managed-fund portfolio companies, other Macquarie Group undertakings and third parties.

The Company has full direct ownership of Macquarie Korea Asset Management ("MKAM"), an entity engaged in a business of providing services for Social Overhead Capital ("SOC") and infrastructure projects and in the business of managing funds or companies whose main business is to invest in diversified portfolios of SOC and infrastructure projects in Korea and assets thereof.

The Company operates a French branch that performs investment management activity that requires a local presence, Spanish and German representative offices that have been established to facilitate a local presence for the sourcing of transactions and monitoring of investments in the region and a representative office in Dubai that performs relationship building and marketing activities with investors in the Middle East. The Company operates a representative branch in the Czech Republic.

Review of operations

The profit for the financial year ended 31 March 2020 was £79,154,399, an increase of 448 per cent from profit of £14,433,107 in the previous financial year.

Operating profit for the financial year ended 31 March 2020 was £96,826,818, an increase of 456 per cent from operating profit of £17,417,633 in the previous financial year. Refer to the income statement for further information.

Total administrative expenses for the financial year ended 31 March 2020 were £146,414,986, an increase of 2 per cent from £144,023,406 in the previous financial year.

As of 31 March 2020, the Company had net assets of £178,459,665 (2019: £99,183,126).

The French branch contributed a profit of £410,088 (2019: profit of £1,362,760) and the Czech branch contributed a profit of £122,514 (2019: nil) to the overall profit on ordinary activities before taxation of £95,228,117 (2019: profit of £16,438,505).

Strategic Report
for the financial year ended 31 March 2020 (continued)

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 26.

On 29 March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU (known as "Brexit"). The UK government and the EU Commission subsequently agreed an Article 50 Withdrawal Agreement, pursuant to which a transition period commenced which will last until 31 December 2020 (unless otherwise extended under the terms of the Article 50 Withdrawal Agreement). The economic, regulatory and legal environment as a result of Brexit will depend on the nature of the post-Brexit arrangements. In order to mitigate the impacts of Brexit, the Macquarie Group has established a new Alternative Investment Fund Manager ("AIFM") based in Luxembourg. It is envisaged that new funds will, to the extent required by the new regulatory regime, be managed by the Luxembourg AIFM. Existing funds will continue to be managed by the Company.

The Company is not subject to any other material risks or uncertainties, over and above those stated, although the Directors' note that the emerging situation with respect to COVID-19 has potential, but not material business risks.

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 subsidiary. 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 risk 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, which also incur a variable rate of interest.

Strategic Report
for the financial year ended 31 March 2020 (continued)

Financial risk management (continued)

Foreign exchange risk

The Company has foreign exchange exposures which include exposures arising from its foreign branches, 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.

Section 172 Statement

Section 172(1) of the Companies Act 2006 requires Directors to act in the way they consider would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:
(a) the likely long-term consequences of decisions;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with suppliers, customers and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly as between the company's owners.

Consideration of these factors and other relevant matters, including in particular the Company's regulatory environment as an Alternative Investment Fund Manager ("AIFM"), is embedded into all Board decision-making, strategy development and risk assessment throughout the year.

This is the first year that certain UK companies, including the Company, are required to publish a statement setting out how their directors have complied with this requirement. Our Section 172 statement focusses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

From the perspective of the Directors, the matters that the Board is responsible for considering under Section 172 of the Companies Act 2006 have been considered appropriately. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors considered these matters is set out in the Directors' report on pages 7 to 11.

Other matters

Due to the 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 (including with regard to environmental and employee matters) in the Strategic report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board

James Dyckhoff

Directors name

27 July 2020

Signature and date

Directors' Report
for the financial year ended 31 March 2020

In accordance with a resolution of the Directors of Macquarie Infrastructure and Real Assets (Europe) Limited, 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 financial year and until the date of this report, unless disclosed otherwise, were:

K Burgess	(resigned on 27 November 2019)
J Dyckhoff	
L Harrison	
P Hogan	
A Lygoe	(appointed on 7 January 2020)
A Rakowski	(resigned on 4 December 2019)

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

H Everitt
D Tan

Results
The profit for the financial year ended 31 March 2020 was £79,154,399 (2019: £14,433,107).

Dividends
No dividends were paid or provided for during the current financial year (2019: £30,000,000). No final dividend has been proposed.

State of affairs
As well as operating in the United Kingdom, the Company continues to operate a branch in France, as well as representative offices in Spain, Germany and Dubai. The Company opened a branch in the Czech Republic during the year.

During the year,
- Macquarie Korea Opportunities Management Ltd ("MKOM") merged with Macquarie Korea Asset Management Co., Ltd. ("MKAM"); and
- the Company's investment in Macquarie Korea Opportunities Fund No.3 ("MKOF3") was reclassified to interests in associates.

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 the Directors' report.

Directors' Report
for the financial year ended 31 March 2020 (continued)

Events after the reporting year
On 3 May 2020, the representative office in Dubai was closed.

On 29 June 2020, a dividend in the amount of £14,009,612 was received from Macquarie Korea Asset Management Co., Ltd.

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 2020 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

IBOR reform: Transition from inter-bank offered rates ("IBOR") to alternative reference rates (ARRs)

IBOR are interest rate benchmarks that are used in a wide variety of financial instruments such as derivatives and lending arrangements. Examples of IBOR include 'LIBOR' ("the London Inter-bank Offered Rate") and 'EURIBOR' ("the Euro Inter-bank Offered Rate"). Each IBOR is calculated and published daily based on submissions by a panel of banks. Over time, changes in interbank funding markets have meant that IBOR panel bank submissions have become based less on observable transactions and more on expert judgement. Financial markets' authorities reviewed what these changes meant for financial stability, culminating in recommendations to reform major interest rate benchmarks. As a result of these recommendations, many IBOR around the world are undergoing reforms.

During 2018, the Company's ultimate Parent Macquarie Group Limited ("MGL") initiated a project, which is sponsored by its Chief Financial Officer ("CFO"), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARRs. A group-wide steering committee was established with its key responsibility being the governance of the project. This committee includes senior executives from MGL's Operating Groups, Financial Management Group ("FMG"), Risk Management Group ("RMG"), Corporate Operations Group ("COG") and Legal and Governance team. The project is wide in scope including identification of the impact of the reform on the separate legal entities within the Consolidated MGL Group (including the Company) and implementing necessary changes in those legal entities.

Coronavirus ("COVID-19")

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets.

A robust risk management framework continues to be applied and RMG continues to monitor the impact of COVID-19 on the Company's risk profile. The Company is not subject to material impact with respect to COVID-19. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Company's risk management framework. Accounting considerations on Company's results is disclosed under Note 2.

The Directors believe that no other significant changes are expected other than those already disclosed in this report and the Strategic 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, operational risk, and foreign exchange risk and developments over Brexit are contained within the Strategic Report.

Directors' Report
for the financial year ended 31 March 2020 (continued)

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 Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the Directors must not approve the financial statements *unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit* or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

The Directors acknowledge their responsibility under section 172 (1) of the Companies Act 2006 and have acted in a way that they considered, in good faith, to be most likely to promote the long-term success of the Company whilst having regard to all relevant matters including those in respect of the Company's stakeholders, who are principally group shareholders, employees, regulators, internal and external customers.

The Directors meet periodically with documentation circulated in advance to allow them to fully understand the performance and position of the Company, along with the matters that are to be discussed. Each decision that is made by the Directors is supported by documentation, discussion and debate at the meetings. This supports informed and robust decision making, including considerations based on the likely impact of a decision, taking into account relevant stakeholders. The following sets out the requirements of section 172 (1), and notes how the Directors have discharged their duties:

Directors' Report
for the financial year ended 31 March 2020 (continued)

Statement of Directors' responsibilities (continued)

(a) Likely consequences of any decision in the long term
The Company's ultimate parent is Macquarie Group Limited ("MGL"). The Company operates to the ethical and business standards set by MGL and the Macquarie Group. Any decision taken will be aligned to the strategy of the Company and the wider Macquarie Group and be made in accordance with Macquarie's Code of Conduct (the "Code"). The Code is based on the three principles that guide the way Macquarie Group does business – Opportunity, Accountability and Integrity. A guide to good decision making is contained within the Code, which emphasises key questions to ask, including the need to think long-term and consider whether a decision will stand the test of time. Potential consequences of decisions made by the Board will vary depending on the matter at hand, but the Board typically considers relevant stakeholders, alignment with the long-term value creation strategy of the Company and the culture of the existing business. Before a proposal is brought to the Board for approval, it will have gone through a series of internal approvals, in accordance with the Macquarie Group's risk management framework, which is embedded across all Macquarie Group's operations. The Macquarie Group's approach to risk management is based on the following stable and robust core risk management principles:
i) ownership of risk at the business level;
ii) understanding worst case outcomes; and
iii) independent sign off by the Risk Management Group.

Supporting each approval request, the Directors are given documentation which includes diligence on financial impacts, as well as non-financial factors and, as part of their deliberations, the Directors consider how the decision is in the best interests of the Company having due regard to the interests of the Shareholder and relevant stakeholders.

(b) Interests of the Company's employees
The employees of the Company and/or its branches have employment contracts with the Company, its branches, or entities within the wider Macquarie Group. While branches of the Company employ staff directly, the Company itself does not have any direct employees but utilizes the services of the wider Macquarie Group workforce via a range of internal shared services agreements.

The Company involves and informs the workforce on matters that could affect them. Where a Board decision is likely to impact the workforce, these considerations are reflected in the supporting documentation and relevant subject matter experts present to the Board in relation thereto, for example, our Human Resources team. The Company's policies align with Macquarie Group's workforce policies, including Macquarie's Workforce Diversity Policy. The Macquarie Group and the Company are committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything we do. Macquarie Group's focus continues to be on developing the internal and external pipeline of women and people from under represented groups at all levels and enhancing our recruitment and talent practices to facilitate this.

(c) Business relationships with suppliers, customers and others
The Directors are cognisant of the stakeholders of the Company and the importance of strong relationships, coupled with appropriate levels of communication and engagement. The Board oversees how the Company deals with its various business relationships, including by way of regular Board reporting with respect to business performance and risk management.

Directors' Report
for the financial year ended 31 March 2020 (continued)

Statement of Directors' responsibilities (continued)

(c) Business relationships with suppliers, customers and others (continued)
In the context of suppliers, Macquarie Group is committed to ensuring high standards of environmental, social and governance performance across its supply chain. This commitment is driven by our business principles. Macquarie Group has put in place a Supplier Governance Policy to manage the risks associated with suppliers who provide the Macquarie Group with high inherent risk goods or services, and also 'Principles for Suppliers' to help uphold our core values with the aim of having supplier relationships that create long-term and sustainable value for our clients, shareholders and community. Macquarie Group's Third Party Risk team supports the Company with subject matter expertise on understanding the inherent risks associated with supplier arrangements and applying appropriate governance and control.

With respect to customers, the Company has both internal (Macquarie) and external customers. Along with the publicly available regulatory disclosures on our website, we look to the Company's workforce(including the Board) to keep customers informed about the depth, breadth and scale of our capabilities in line with local rules and regulations on client suitability and financial promotions while offering our products in a highly regulated financial services environment in EMEA. Macquarie Group's publicly available EMEA Terms of Business embed our commitment to the principle of treating customers fairly into all of the Company's business. As an AIFM, the Company has investor protection and transparency obligations and requirements to meet under the legislative framework of the revised Markets in Financial Instruments Directive ("MiFID II"). Through implementing an extensive policy and procedure framework the Company seeks to meet all applicable requirements of MiFID II with regard to our customers including those relating to product governance, investment advice, Board responsibility, inducements, information and reporting to clients, cross-selling, remuneration of our workforce and best execution. In the context of COVID-19, the Board recognises that acute crises bring into focus the imperative for organisations to support customers and contribute to the communities in which they operate. During this period, the Company has worked with its clients as they quickly adapt to a changed environment so that they can continue to operate.

The Board acknowledges the work of the Macquarie Group Foundation (the "Foundation"), which is the philanthropic arm of Macquarie. The Foundation encourages Macquarie's workforce to give back to the communities in which they live and work by contributing service, financial support and leadership to the community organisations they feel passionately about.

As an AIFM, the Company is regulated by the Financial Conduct Authority ("FCA"). Our German branch is regulated by the Federal Financial Supervisory Authority ("BaFin") for conduct of business. The Board is committed to conducting business in accordance with applicable laws and regulations and in a manner that is consistent with the Code and the principles set out in "What We Stand For". The Board also recognises it is imperative that the Company fosters and maintains strong, positive relationships with our regulators and that all communications with regulators are timely, accurate and complete. As a result the Board has a strong focus on its regulatory status and compliance with its related obligations in line with Macquarie Group's Regulator Engagement Framework. Everybody at the Macquarie Group is accountable for the way they conduct themselves, and the principles of regulatory engagement set within Macquarie's Regulator Interaction and Relationship Management Policy define the expectations for all our workforce, including the Board, in engaging with our regulators. This policy is underpinned by Regulator Interaction Protocols for the Company to follow to ensure our interactions with regulators are consistent and co-ordinated, and that the Company has accurate records of all such interactions. Channels of engagement are open between the Company and its regulators with an emphasis by the Board on recognising the importance of the regulatory principles which apply to it, in particular Principle 11 of the FCA Handbook which requires the Company to deal with its regulators in an open and cooperative way, disclosing appropriately anything relating to the Company of which each regulator would reasonably expect notice.

Directors' Report

for the financial year ended 31 March 2020 (continued)

Statement of Directors' responsibilities (continued)

(d) Community and the environment

The Board recognises the importance of sound Environmental, Social and Governance ("ESG") practices as part of its responsibility to our clients, shareholders, communities, people and the environment in which the Macquarie Group operates. Macquarie Group's ESG approach is structured around focus areas considered to be material to our business.

Clear dialogue with stakeholders is important to building strong relationships, understanding external dynamics, earning and maintaining trust, enhancing business performance and evolving our ESG approach. We regularly engage with a broad range of stakeholders including clients, shareholders, investors, analysts, governments, regulators, our workforce, suppliers and the wider community.

Macquarie Group recognises that failure to manage ESG risks could expose the organisation to commercial, reputational and regulatory impacts and affect communities, the environment and other external parties. Assessing and managing Macquarie Group wide ESG risks is a key business priority and an important component of our broader risk management framework, to which the Company is subject.

Under the Code, our workforce share responsibility for identifying and managing environmental and social issues as part of normal business practice and are supported by the ESR team.

The Environment and Social Risk ("ESR") team, which sits within the Risk Management Group, coordinates a diverse range of ESG activities across business groups and regions, including developing and implementing Macquarie wide and business specific policies, conducting transaction reviews, providing advice on ESG risks and opportunities and facilitating training.

MIRA has dedicated Risk and Sustainability teams which are responsible for setting and implementing the ESG incorporation strategy and framework.

- The MIRA Risk team assists the business and Directors to ensure all operational risks, including ESG risks, are identified and managed. Reporting to the MAM Chief Risk Officer, the team is independent of MIRA's portfolio management functions and is supported by specialist expertise within MIRA, including the MIRA Sustainability team, and RMG.
- The MIRA Sustainability team is responsible for setting MIRA's overall sustainability strategy and ESG framework, providing specialist expertise on environmental and certain social issues, and supporting asset management teams in harnessing ESG opportunities across the portfolio.

Where ESG issues are relevant to a proposal being brought to the Board, these matters are specifically addressed in the supporting paperwork and typically a member of the ESR team would be in attendance at the Board meeting considering that matter.

(e) Reputation for high standards

The reputations of the Company and its Directors are fundamental to the long-term success of the Company and significant effort is expended to ensure that performance and processes attain and wherever possible exceed expectations. The Macquarie Group and the Company are committed to maintaining high ethical standards – adhering to laws and regulations, conducting business in a responsible way and treating all stakeholders with honesty and integrity. These principles are further reflected in the Code. Macquarie's Integrity Office provides an internally independent and confidential point of contact for Macquarie's workforce and external parties to safely raise concerns about improper conduct. It is responsible for implementing the Whistleblower Policy and for managing the investigation of concerns raised under this policy, including any raised through the Macquarie Staff Hotline. The Integrity Office also promotes high ethical standards and good decision making through communications and engagement with our workforce. The Integrity Office provides regular reports to the Board.

Directors' Report
for the financial year ended 31 March 2020 (continued)

Statement of Directors' responsibilities (continued)

(f) Need to act fairly as between members of the Company
The Company is a 100% indirect subsidiary of MGL. Information is shared effectively to ensure that both the direct parent and ultimate shareholder are engaged as appropriate with respect to key decisions of the Company. With respect to capital allocation decision-making for example, the Directors seek to allocate the Company's capital in a way that offers returns to shareholders in line with the Company's approach to dividends while ensuring the Company retains flexibility to continue to deploy capital towards profitable growth. The Directors have engaged with the company's shareholder (both direct and ultimate) where appropriate, on principal decisions taken by the Company during the financial year, and took into consideration the interest of relevant stakeholders in the major developments, activities or transactions which are discussed in the principal activities in the strategic report as well as the dividends section of this report.

Streamlined energy and carbon reporting (SECR) requirement
The Company consumed less than 40MWh for the year ending 31 March 2020 and for this reason the Company is not required to disclose energy and carbon information in this report.

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. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and, 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,

James Dyckhoff

Directors name

J- JM. 27 July 2020

Signature and date

Independent auditors' report to the members of Macquarie Infrastructure and Real Assets (Europe) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie Infrastructure and Real Assets (Europe) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 2020; the income statement, the profit and loss account, the statement of comprehensive income, and 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 where:

- 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 2020 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 in respect of the financial statements set out on page 7, 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.

Lawrence Wilkinson

Lawrence Wilkinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 July 2020

Financial Statements

Profit and loss account
for the financial year ended 31 March 2020

	Note	2020[1] £	2019 £
Turnover	3	**244,116,789**	158,498,131
Administrative expenses	3	**(146,414,986)**	(144,023,406)
Other operating (expenses)/income[2]	3	**(874,985)**	2,942,908
Operating profit		**96,826,818**	17,417,633
Interest receivable and similar income	4	**5,093,483**	8,139,146
Interest payable and similar charges	5	**(6,692,184)**	(9,118,274)
Profit on ordinary activities before taxation		**95,228,117**	16,438,505
Tax on profit on ordinary activities	6	**(16,073,718)**	(2,005,398)
Profit for the financial year	19	**79,154,399**	14,433,107

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

[1]The March 2020 financial results reflect the adoption of IFRS 16 Leases on 1 April 2019. As permitted by IFRS 16, the Company has not restated previously reported financial periods. Refer to Note 2(i) Summary of significant accounting policies for the impact on initial adoption of IFRS 16.

[2]Other operating (expenses)/income was included in the prior year financial statements as other gains and included in profit on ordinary activities before taxation. The company has renamed the caption to other operating (expenses)/income in the current year and included this caption in operating profit. As a result of this change, 2019 operating profit increased from £14,474,725 while profit for the financial year remained unchanged.

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

Statement of comprehensive income
for the financial year ended 31 March 2020

	Note	2020[1] £	2019 £
Profit after tax for the financial year		**79,154,399**	14,433,107
Other comprehensive income/(loss)			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Exchange differences on translation of foreign operations, net of tax	19	**139,405**	(121,364)
Total other comprehensive income/(loss) for the financial year		**139,405**	(121,364)
Total comprehensive income		**79,293,804**	14,311,743
Total comprehensive income for the financial year that is attributable to ordinary equity holders of the Company		**79,293,804**	14,311,743

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

[1]The March 2020 financial results reflect the adoption of IFRS 16 Leases on 1 April 2019. As permitted by IFRS 16, the Company has not restated previously reported financial periods. Refer to Note 2(i) Summary of significant accounting policies for the impact on initial adoption of IFRS 16.

Balance sheet
as at 31 March 2020

	Note	2020[1] £	2019 £
Fixed assets			
Tangible assets & right-of-use assets	8	**624,335**	480,887
Investments	9	**53,233,581**	50,103,109
		53,857,916	50,583,996
Current assets			
Debtors	13	**153,359,872**	74,896,072
Cash at bank	14	**709,636**	365,553
		154,069,508	75,261,625
Current liabilities			
Creditors: amounts falling due within one year	15	**(25,037,427)**	(19,930,865)
Deferred tax liabilities	16	**(122,703)**	(197,580)
Net current assets		**128,909,378**	55,133,180
Total assets less current liabilities		**182,767,294**	105,717,176
Provisions for liabilities	17	**(3,942,955)**	(6,534,050)
Lease Liabilities		**(364,674)**	-
Net assets		**178,459,665**	99,183,126
Capital and reserves			
Called up share capital	18	**42,700,000**	42,700,000
Equity contribution from ultimate parent	18	**73,887**	87,849
Other reserves	19	**569,949**	430,544
Profit and loss account	19	**135,115,829**	55,964,733
Total shareholders' funds		**178,459,665**	99,183,126

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

[1]The March 2020 financial results reflect the adoption of IFRS 16 Leases on 1 April 2019. As permitted by IFRS 16, the Company has *not restated previously reported financial periods. Refer to Note 2(i) Summary of significant accounting policies for the impact on initial* adoption of IFRS 16.

The financial statements on pages 14 to 44 were authorised for issue by the Board of Directors on 27 July 2020 and were signed on its behalf by:

James Dyckhoff

Directors name

27 July 2020

Signature and date

Statement of changes in equity
for the financial year ended 31 March 2020

	Note	Called up share capital £	Equity contribution from ultimate parent £	Other reserves £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2018		**42,700,000**	**53,801**	**551,908**	**71,531,626**	**114,837,335**
Profit for the financial year	19	-	-	-	14,433,107	14,433,107
Other comprehensive loss	19	-	-	(121,364)	-	(121,364)
Total comprehensive income		-	-	(121,364)	14,433,107	14,311,743
Transactions with equity holders in their capacity as ordinary equity holders:						
Contribution from ultimate parent entity in relation to share-based payments	18	-	34,048	-	-	34,048
Dividends paid	19	-	-	-	(30,000,000)	(30,000,000)
Balance at 31 March 2019		**42,700,000**	**87,849**	**430,544**	**55,964,733**	**99,183,126**
Change on initial application of IFRS 16	2(i)	-	-	-	(3,303)	(3,303)
Restated balance as at 1 April 2019		**42,700,000**	**87,849**	**430,544**	**55,961,430**	**99,179,823**
Profit for the financial year	19	-	-	-	79,154,399	79,154,399
Other comprehensive income, net of tax	19	-	-	139,405	-	139,405
Total comprehensive income		-	-	139,405	79,154,399	79,293,804
Transactions with equity holders in their capacity as ordinary equity holders:						
Contribution from ultimate parent entity in relation to share-based payments	18	-	(13,962)	-	-	(13,962)
Balance at 31 March 2020		**42,700,000**	**73,887**	**569,949**	**135,115,829**	**178,459,665**

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.

Notes to the financial statements
for the financial year ended 31 March 2020

Note 1. Company information

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

Note 2. Summary of significant accounting policies

i) Basis of preparation

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention except for the financial instruments (including derivatives) required to be measured at fair value through profit or loss ("FVTPL").

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 statement 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 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 was determined).
- 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 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'.
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 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.
- 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'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

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 compliance 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:

- determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payment of principal and interest ("SPPI") (Note 2(vi));
- fair value of financial assets and financial liabilities (Notes 10 and 25);
- determination of significant influence over associates (Note 2(xi))
- the timing and amount of impairment of financial assets, liabilities and investment in subsidiary (Notes 10, 11 and 12);
- recoverability of deferred tax assets and measurement of current and deferred tax liabilities (Note 16); and
- the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss ("ECL") including forecasts of economic conditions and determination of significant increase in credit risk ("SICR") (Note 2(xvii)).

Estimates and judgments 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 this financial report are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

Coronavirus (COVID-19) impact

Background

The onset of COVID-19 resulted in the application of further judgement within identified risk areas discussed further below. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Company's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Processes applied

As a consequence of COVID-19 and in preparing these financial statements, management:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above;
- updated its economic outlook – principally for the purposes of inputs into its ECL through the application of forward-looking information, but also for input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities;
- conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes;
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19; and
- considered the impact of COVID-19 on the Company's financial statement disclosures.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Coronavirus (COVID-19) impact (continued)

Consideration of the balance sheet and further disclosures

Key balance sheet items and related disclosures that have been impacted by COVID-19 were as follows:

Loans and receivables

In response to COVID-19 the Company undertook a review of loans to other Macquarie entities and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered.

Tangible assets and right-of-use assets

Given the impact of COVID-19, the Company's tangible assets and right-of-use assets were subject to impairment testing which concluded that no material impairment was required.

Interest in associates and investments in subsidiaries

When it has been assessed that there is an indicator of impairment the Company tests the carrying amount of each of its investments for impairment, by comparing the investment's recoverable amount with the carrying value. Refer to Notes 11 and 12.

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

(a) IFRS 16 *Leases*

IFRS 16 replaced IAS 17 Leases for the Company's financial year that commenced on 1 April 2019. Subject to certain exceptions, contracts that are leases within the scope of IFRS 16 from the lessee's perspective require the recognition of a right-of-use ("ROU") asset and a related lease liability. The classification of leases where the Company is a lessor remains unchanged under IFRS 16.

Transition:

The Company has applied IFRS 16 from 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and Interpretation 4 *Determining whether an arrangement contains a lease*. At the date of transition to IFRS 16, £414k of ROU assets and £458k of associated lease liabilities were recognised after adjusting related amounts previously recorded on the balance sheet. The transition impact reduced the Company's opening retained earnings by £3,303.

(b) IAS 19 *Employee benefits*

An amendment to IAS 19 Employee Benefits ("IAS 19") specifies how an entity should account for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendment requires the use of assumptions for the remeasurement of the net defined benefit liability or asset to determine the current service cost and the net interest for the remainder of the reporting period after a plan event occurs. The amendment to IAS 19, which was applied by the Company from 1 April 2019 did not have a material impact on the Company's financial statements.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

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

(c) IFRS 23 Interpretation 23 *Uncertainty over Income Tax Treatment*

IFRIC Interpretation 23 clarified the application of the recognition and measurement criteria in IAS 112 Income Taxes ("IAS 112") where there is uncertainty over income tax treatments and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements are reassessed as and when new facts and circumstances are presented.

Interpretation 23 is effective for the Company's annual financial reporting period beginning on 1 April 2019. The Company's existing recognition and measurement accounting policies, together with accounting related judgements, were in alignment with those required by Interpretation 23 and hence no transition adjustment to retained earnings was required. On adoption of Interpretation 23 the Company had no uncertain tax positions.

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

The functional currency of the Company is determined as the currency of the primary economic environment in which the Company operates. 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 Company's 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 other operating income/expenses.

Foreign operations (branch)

The Company has a branch in France and the Czech Republic. The results and financial position of the foreign operation that have a functional currency other than Pounds Sterling are translated into Pounds Sterling as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet
- income and expenses for each profit and loss account are translated at actual or average exchange rates at the dates of the transactions
- all resulting exchange differences are recognised in other comprehensive income ("OCI") within a separate component of reserves, being the foreign currency translation reserve ("FCTR").

Foreign currency gains and losses on intragroup loans are recognised in the profit and loss account except where the loan is in-substance part of the Company's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in the Company's FCTR.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

iv) Revenue and expense recognition

Fee and commission income
Revenue earned by the Company from its contracts with customers primarily consists of the following categories of fee and commission income:

Base and other asset management fees and performance fees - The Company earns base management and performance fees for providing asset management services for listed and unlisted funds. It has been determined that the provision of asset management services is typically a single performance obligation.

Base management fees are recognised over the life of the contract as the asset management services are provided. Any associated performance fees are deemed to be a variable component of the same asset management service and are recognised only when it is highly probable that the performance hurdles are met, and a significant reversal of cumulative fees recognised to date will not occur.

Determining the amount and timing of performance fees to be recognised involves judgement, the use of estimates (including management estimates of underlying asset values) and consideration of a number of criteria relating to both, the fund in which the asset(s) are held as well as the underlying asset(s) as follows:

- the extent to which performance fees liabilities have been accrued by funds to date or consideration of the current valuation case of the assets in relation to the fund's hurdle rate
- the proportion of assets realised and returns on those assets
- nature of remaining underlying fund assets and potential downside valuation risks on each
- time remaining until realisation of fund assets and the fund timeline
- consideration of the ability to dispose of the asset, including of any barriers to divest.

Fee income earned by the Company from other Macquarie group entities in relation to services rendered to set up new funds is recognised by the time the investment fund manager is appointed and begins earning management fees. At this time a service fee consisting of life to date costs plus a margin will be recognised by the Company.

Other operating (expenses)/income
Other operating (expenses)/income comprises gains and losses relating to foreign exchange differences, investment income, credit impairment charges on financial instruments, all realised and unrealised fair value changes on derivatives which are recognised in the profit and loss account, gains and losses arising from subsequent changes in fair values of equity investment securities at fair value through profit or loss, and other income.

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.

Dividends or distributions on financial assets are recognised as income when the Company becomes entitled to the dividend or distribution. Dividends and distributions from associates reduce the carrying amount of the investment in the Company's balance sheet. Dividends or distributions from subsidiaries and associates are recognised in the profit and loss account of the Company when the right to receive the dividend or distribution is established.

Expenses
Expenses are recognised in the profit and loss account as and when the provision of services is received.

Fee share from/shared with related entities
Fee shared with related entities is recognised as per the agreed fee sharing arrangement.

Fee expenses
Management fees and cost recoveries are charged to the Company in respect of services provided by other Macquarie group entities as per the agreed cost sharing arrangement. Such expenses are recognised on an accrual basis in accordance with the standard recovery methodology applied by the servicing entity.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

iv) Revenue and expense recognition (continued)

Interest income/expense

Interest income and interest expense are recognised using the effective interest rate method ("EIR") for loan assets and other financial assets and liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the profit and loss account over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

v) Taxation

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

The Company exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery.

Factors considered include the ability to offset tax losses within the tax consolidated group or groups of entities in overseas jurisdictions, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates the amount expected to be paid to/ (recovered from) tax authorities based on its understanding and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities.

Value added tax (VAT)

Where value added tax is not recoverable from global tax authorities, it is either capitalised to the balance sheet as part of the cost of the related asset or is recognised in the profit and loss account. Where value added tax is recoverable from or payable to global tax authorities, the amount is recorded as a separate asset or liability in the balance sheet.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments

Recognition of financial instruments
Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value adjusted for (in the case of instruments not carried at FVTPL) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees earned relating to financial instruments carried at FVTPL are recorded in the profit and loss account.

De-recognition of financial instruments
Financial assets
Financial assets are de-recognised from the balance sheet when:
- the rights to cash flows have expired
- the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Company is recognised as a separate asset or liability. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

Classification and subsequent measurement
Financial assets
Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

Business model assessment
The Company determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

(i) how the performance of the financial assets held within that business model is evaluated and reported to senior management personnel and senior executives;
(ii) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
(iii) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The Company exercises judgement to determine the appropriate level at which to assess its business models and its intention with respect to financial assets.

Solely payment of principal and interest (SPPI)
The contractual cash flows of a financial asset are assessed to determine whether these represent solely payments of principal and interest on the principal amount outstanding. This includes an assessment of whether cash flows reflect primarily consideration for the time value of money and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

Amortised cost
A financial asset is subsequently measured at amortised cost using the EIR method where:
(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements.
(iii) the financial asset has not been designated to be measured at FVTPL ("DFVTPL").

Interest income determined in accordance with the EIR method is recognised in interest income. Gains and losses arising from the derecognition of financial assets that are measured on an amortised cost basis are recognised as part of other operating income and expenses.

Fair value through profit or loss (FVTPL)
Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL, with all changes in fair value recognised as part of other operating income and expenses in the profit and loss account.

For the purposes of the Company's financial statements, the FVTPL classification consists of the following:
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows, or
-financial assets that fail the SPPI test.

Equity financial assets are measured at FVTPL.
Changes in the fair value of financial assets that are classified as FVTPL are recognised as part of other operating income and expenses.

Reclassification of financial instruments
The Company reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial asset's new measurement category.

The Company does not reclassify financial liabilities after initial recognition.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount reported on the balance sheet, when there is a current 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.

vii) Derivative instruments and hedging activities
Derivative instruments entered into by the Company include foreign currency forwards. These derivative instruments are principally used by the Company for the purposes of risk management of existing financial and non-financial assets and liabilities.

Derivatives are recognised in the balance sheet as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

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.

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 profit or loss 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. The Company applies this day 1 profit or loss policy to all financial instruments measured at fair value.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

viii) Financial investments
Investment securities in this category include investments in equity or debt securities which are not actively traded by the Company.

Financial investments are initially recognised at fair value adjusted for directly attributable transaction costs on settlement date and subsequently measured in accordance with the Company's accounting policy for financial instruments Note 2 (vi).

ix) Hedge accounting
As part of its ongoing business, the Company is exposed to several financial risks, principally that of foreign exchange rates (referred to as the hedged risk or exposure). The Company has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Company mitigates these risks through the use of derivative financial instruments. In order to account for the difference in the gains and losses between the exposure that is being hedged and the hedging instrument, the Company applies hedge accounting as below:

Fair value hedge
- Nature of hedge: The hedge of the fair value risk on the non-functional currency investments by the Company due to changes in foreign currency rates.
- Hedged risk: Foreign exchange risk (spot)
- Hedged item: Foreign currency denominated investment
- Hedging instrument: foreign exchange forward contracts and foreign currency denominated issued debt
- Designation and documentation: At inception of the hedge relationship, documentation is required of the Company's risk management objective and strategy for the hedge, hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.
- Hedge effectiveness method: All hedge relationships are required to be assessed for hedge ineffectiveness both at the inception and throughout the hedge relationship by demonstrating that:
  - an economic relationship exists between the hedged item and the hedging instrument;
  - credit risk does not dominate the changes in value of either the hedged item or the hedging instrument; and
  - the hedge ratio is reflective of the Company's risk management approach.

The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. *Changes in the hedge ratio, or rebalancing, may be required to adjust the hedged item or the hedging instrument.*
- Accounting treatment for the hedging instrument: Fair value through the profit and loss account.
- Accounting treatment for the hedged item: Carrying value adjusted for changes in fair value attributable to the hedged risk.
- Accounting treatment for hedge ineffectiveness: Recognised in the profit and loss account to the extent that changes in fair value of the hedged item attributable to the hedged risk are not offset by changes in fair value of the hedging instrument.
- Accounting treatment if the hedge relationship is discontinued: Where the hedged item still exists, adjustments to the hedged item are amortised to the profit and loss account on an effective interest rate basis.

x) Cash at bank
Cash at bank comprises of cash and bank balances as well as certain liquid financial investments and non-trading reverse repurchase agreements that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are available to meet the Company's short term cash commitments. Cash at bank exclude margin money balances, trading assets and certain client-related balances which are segregated from the Company's own funds and thus restricted from use.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xi) Investments

Investment in subsidiaries

Subsidiaries are all those entities (including structured entities) over which the Company has the power to direct the relevant activities of the entity, exposure, or rights, 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 in making that assessment including, but not limited to, debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts.

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

Interest 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 of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies or 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 (including the nature of such approval). The acquisition does not necessarily occur when the transaction is closed or finalised under law.

xii) Due to/ from related entities

Transactions between the Company and its related entities, including its parent and subsidiaries, principally arise from the granting of loans and funding and are measured at amortised cost.

xiii) Tangible assets & right-of-use assets

Tangible assets & right-of-use assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) less, were applicable, accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the asset.

Tangible assets & right-of-use assets include assets leased out under operating leases. Depreciation on assets is calculated on a straight-line basis to allocate the difference between cost and residual values over their estimated useful lives at the following annual depreciation rates:

Property, plant and equipment	Depreciation rates
Furniture, fittings and leasehold improvements[1]	10 to 20%
Equipment and computer equipment	33 to 50%

[1] Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.

Right-of-use asset	Depreciation rates
Property	8-100%

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised as part of other operating income and expenses in the profit and loss account.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xiv) Other assets and liabilities

Where the Company provides services to clients and the consideration is unconditional, a receivable is recognised. Where the consideration is conditional on something other than passage of time, such as performance fees, these are recorded as contract assets. Both contract receivables and contract assets are assessed for impairment in accordance with IFRS 9.

The Company, as permitted by IFRS 15, has applied the practical expedient that allows for costs incurred to obtain a contract to be expensed as incurred where the amortisation period for any asset recognised would be less than 12 months.

The Company also applies the practical expedient not to adjust consideration for the effects of a significant financing component, where the period between transferring a good or service and when the customer pays for that good or service is expected to be one year or less.

Contract liabilities relate to prepayments received from customers where the Company is yet to satisfy its performance obligation.

xv) Provisions

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

Employee benefit provisions

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

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

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market in which case rates on the 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.

xvi) Due to/from subsidiaries

Transactions between the Company and its subsidiaries principally arise from the provision of banking and other financial services, lending arrangements and acceptance of funds on deposit, and intercompany services and transactions. These transactions are measured at amortised cost except for lending arrangements that do not satisfy the SPPI criterion. Refer to Note 2(iv) Revenue and expense recognition and Note 2(vi) Financial instruments.

Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 2(vi)), such that the net amount is reported in the balance sheet.

xvii) Impairment

Expected credit losses ("ECL")

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

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

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xvii) Impairment (continued)

The ECL is determined with reference to the following stages:

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

(ii) Stage II – Lifetime ECL not credit-impaired
When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLI that includes significant management judgement.

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

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

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

(iv) Purchased or originated credit-impaired financial assets:
Purchased or originated credit-impaired ("POCI") financial assets are initially recognised at fair value with interest income subsequently determined using a credit-adjusted EIR. The credit-adjusted EIR is the EIR adjusted for expected credit losses on initial recognition.

The ECL is measured as the product of the lifetime PD, LGD and EAD adjusted for FLI or by discounting the difference between the contractual and expected cash flows from the individual exposure using the credit-adjusted EIR, with increases and decreases in the measured ECL from the date of origination or purchase being recognised in profit and loss account as either an impairment gain or loss.

Presentation of loss allowances

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

i. Loan assets, loans to associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount;
ii. Loan assets, loan to associate/JV and debt financial investments measured at fair value through OCI - as a reduction in OCI reserve account under equity. The carrying amount of the asset is not adjusted as it is recognised at fair value which factors credit risk;
iii. Lease receivables, contract receivable and other assets measured at amortised cost – as a deduction to the gross carrying amount;
iv. Undrawn credit commitments – as a provision included in other liabilities.

When the Company concludes that there is no reasonable expectation of recovering cash flows from the loan asset or debt financial investment and all possible collateral has been realised, financial asset 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.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xvii) Impairment (continued)

Impairment of interests in associates

The Company performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates are impaired. The main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

In making this judgement, the Company evaluates, among other factors, the normal volatility in share price and the period of time for which fair value has been below cost. If there is an indication that an investment in an associate may be impaired, then the entire carrying amount of the investment in the associate is tested for impairment by comparing the recoverable amount, being the higher of fair value less costs to sell and value in use, with its carrying amount.

Impairment losses recognised in the profit and loss account for investments in associates are subsequently reversed through the profit and loss account if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised.

Fair value less costs to sell is estimated using market- based approaches using revenues, earnings and assets under management and multiples based on companies deemed comparable as well as other publicly available information relevant to the business.

Value in use is calculated using pre-tax cashflow projections of operating revenue and expenses. Forecasts are extrapolated using a growth rate and discounted using a pre-tax discount rate incorporating market risk determinants, adjusted for specific risks related to the cash generating units, if any, and the environment in which it operates.

Impairment of investments in subsidiaries

Investments in subsidiaries in the Company's financial statements 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 is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount, being 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 impairment. The amount of any reversal of impairment recognised must not cause the investment's carrying value to exceed its original cost.

Impairment of tangible assets

Tangible assets and right-of-use assets are assessed at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and charges 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.

xviii) Performance based remuneration

The ultimate parent company, 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 23 Employee equity participation. The Company accounts for its share-based payments as follows:

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xviii) Performance based remuneration (continued)

Share-based payments

- Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. Performance hurdles attached to Performance Share Units ("PSUs") under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest. On vesting, the amount recognised in the share-based payment reserve is transferred to contributed equity. For the Company, the accounting is dependent on whether the Company is compensated for its obligations under the MEREP award. To the extent that employing subsidiaries compensate the Company for the MEREP offered to their employees', a recharge liability due to subsidiaries is recognised by the Company at grant date representing the payment received in advance of the award being settled. This liability reduces over the vesting period with a corresponding increase in equity. MEREP liabilities are recognised and disclosed in Note 21 Related party information. To the extent that employing subsidiaries do not compensate the Company for the MEREP offered to their employees', the Company reflects the provision of the equity settled award as a contribution to its subsidiary and as a result increases its investment in subsidiary.

- Cash settled awards: The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. Changes in the value of the liability are recognised in employment expenses.

Profit share remuneration

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

xix) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non-lease components as a single lease component.

Accounting where the Company is the lessee

The Company leases corporate buildings for which contracts are typically entered into for fixed periods and may include extension options. Leases are recognised as a ROU asset and a corresponding liability at the commencement date, being the date, the leased asset is available for use by the Company.

Lease liabilities

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense. Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of 'interest and similar expense' in the profit and loss account over the lease period on the remaining lease liability balance for each period. Any variable lease payments not included in the measurement of the lease liability is also recognised in the profit and loss account in the period in which the event or condition that triggers those payments occurs.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, in the profit and loss account, where the carrying value of the ROU asset has been fully written down.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

xix) Leases (continued)

Presentation

The Company presents ROU assets in 'tangible assets & right-of-use assets' (refer to Note 8) and lease liabilities in the balance sheet.

Prior to the adoption of IFRS 16, where the Company was the lessee in an operating lease arrangement, the total fixed payments were charged to the profit and loss account on a straight-line basis over the period of the lease. The difference between the cumulative expense recognised and cash paid was recorded on the balance sheet as either a payable or receivable as appropriate.

xx) 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.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

	2020 £	2019 £
Note 3. Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after (charging)/crediting:		
Turnover by category:		
Base management and performance fees	202,726,306	123,647,969
Service fees received from other Macquarie Group undertakings	21,492,387	15,164,218
Dividend income	16,304,281	13,893,556
Other fee income	3,593,815	5,792,388
Total Turnover	244,116,789	158,498,131
Staff costs		
Wages and salaries	(2,898,338)	(6,790,594)
Share based payment costs	(541,456)	(531,755)
Other staff costs	(854,525)	(4,516,326)
Other pension charge	(193,991)	(146,308)
Resource charge from Macquarie Group undertakings	(10,991,177)	(13,029,730)
Service fees paid to other Macquarie Group undertakings	(122,294,985)	(102,953,317)
Rent and occupancy costs	(375,498)	(390,318)
Depreciation charges	(417,631)	(232,667)
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company[1]	(71,207)	(41,871)
Fees payable to the Company's auditors and its associates for taxation compliance services	(32,607)	-
Audit fees expensed from other Macqurie Group undertakings	(297,938)	(264,148)
Other administrative expenses	(3,851,817)	(9,333,983)
Out of pocket expense	(3,593,816)	(5,792,388)
Total administrative expense	(146,414,986)	(144,023,406)
Credit impairment reversals	22,428	108,748
Foreign exchange (losses)/gains	(822,442)	283,587
Net (loss)/gain on equity investment[2]	(74,971)	2,550,573
Other operating (expenses)/income	(874,985)	2,942,908
Operating profit	96,826,818	17,417,633

[1]Fees payable to the Company's auditors for current year includes £15,256 relating to previous year.
[2]Fair value gain and losses from equity financial investments that have been classified as FVTPL.

Note 4. Interest receivable and similar income

	2020 £	2019 £
Interest receivable from other Macquarie Group undertakings	5,093,429	8,102,544
Interest receivable from unrelated parties	54	36,602
Total interest receivable and similar income	5,093,483	8,139,146

Note 5. Interest payable and similar expense

	2020 £	2019 £
Interest payable to other Macquarie Group	6,686,547	9,118,274
Interest payable to unrelated parties	5,637	-
Total interest payable and similar expense	6,692,184	9,118,274

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 6. Taxation

	2020 £	2019 £
(i) Tax expense included in profit or loss		
Current tax		
UK corporation tax at 19% (2019: 19%)	**15,167,300**	11,896
Adjustments in respect of previous periods	**15,042**	159,986
Foreign tax suffered	**1,287,170**	1,517,245
Double tax relief	**(286,203)**	-
Total current tax	**16,183,309**	1,689,127
Deferred tax		
Origination and reversal of temporary differences	**(93,105)**	345,048
Adjustments in respect of previous periods	**(39,730)**	7,262
Effect of changes in tax rates	**23,244**	(36,039)
Total deferred tax	**(109,591)**	316,271
Tax on profit on ordinary activities	**16,073,718**	2,005,398

(ii) Reconciliation of effective tax rate

The taxation charge for the year ended 31 March 2020 is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

Profit before taxation	**95,228,117**	16,438,505
Current tax charge at 19% (2019: 19%)	**(18,093,342)**	(3,123,316)
Effect of:		
Adjustment in respect of prior years	**24,687**	(167,247)
Non-deductible expenses	**(37,000)**	(49,285)
Foreign tax suffered	**(1,287,170)**	(1,517,245)
Deduction for foreign tax suffered	**286,203**	-
Foreign tax expense relief claimed	**-**	147,569
Effect of changes in tax rates	**(23,244)**	36,039
Non-assessable income	**3,110,794**	2,693,116
Macquarie Group Employee Retained Equity Plan	**(54,646)**	(25,029)
Total tax on profit on ordinary activities	**(16,073,718)**	(2,005,398)

The UK Corporation tax main rate for the financial year beginning 1 April 2020 will remain at 19%. This reverses the previously enacted rate change reducing the rate to 17%.

Note 7. Dividends paid

(i) Dividends paid

Ordinary share capital and exchangeable shares		
Dividend paid	**-**	30,000,000
Total dividends paid (Note 19)	**-**	30,000,000

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 8. Tangible assets & right-of-use assets

	Cost	Accumulated depreciation and impairment	Written down value
	£	£	£
Assets for own use			
Furniture, fittings and leasehold improvements	718,863	(463,050)	255,813
Computer and communication equipment	62,540	(31,778)	30,762
Total assets for own use	**781,403**	**(494,828)**	**286,575**
Right of use assets			
Property	534,491	(196,731)	337,760
Total right of use assets[1]	**534,491**	**(196,731)**	**337,760**
Total tangible assets & right-of-use assets	**1,315,894**	**(691,559)**	**624,335**

[1]Represents operating leases recognised in the balance sheet following the adoption of IFRS 16. As permitted by IFRS 16, the Company has not restated the comparative financial reporting periods. Refer Note 2(a) for the impact on initial adoption of IFRS 16.

Reconciliation of the movement in the Company's tangible assets at their carrying amount:

	Furniture, fittings and leasehold improvements	Computer and communication equipment	Total
	£	£	£
Balance at 1 April 2019	**330,570**	**150,317**	**480,887**
Acquisitions	96,651	14,770	111,421
Disposals	-	(1,596)	(1,596)
Foreign exchange movements	(103,277)	(29,067)	(132,344)
Depreciation expense (Note 3)	(142,213)	(29,580)	(171,793)
Balance at 31 March 2020	**181,731**	**104,844**	**286,575**

Right-of-use assets	Property £	Total £
Balance as at 1 April 2019	**-**	**-**
Opening Right-of-use assets as on 1st April 2019	414,438	414,438
Acquisitions	112,968	112,968
Reclassification and other adjustments	13,175	13,175
Foreign exchange movements	43,017	43,017
Depreciation expense (Note 3)	(245,838)	(245,838)
Balance at 31 March 2020	**337,760**	**337,760**

	2020	2019
	£	£
Note 9. Investments		
Financial investments (Note 10)[1]	-	19,225,229
Interests in associates (Note 11)[1]	18,543,312	-
Investment in subsidiaries (Note 12)	34,690,269	30,877,880
Total investments	53,233,581	50,103,109

[1]Investment in MKOF3 was reclassified from financial investments to interests in associates during the year after a merger that occurred during the year resulted in the Company obtaining significant influence over the fund.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

	2020	2010
	£	£
Note 10. Financial investments		
Equity securities[1,2]		
Unlisted	-	19,225,229
Total financial investments	-	19,225,229

[1]Investment in Macquarie Korea Opportunities Fund No.3 ("MKOF3") measured at FVTPL.

[2]Investment in MKOF3 was reclassified from financial investments to interests in associates during the year after a merger that occurred during the year resulted in the Company obtaining significant influence over the fund.

Note 11. Interests in associates

Equity investments with no provisions for impairment	18,543,312	-
Total Interests in associates	18,543,312	-

Summarised information of certain interests in material associates and joint ventures are as follows:

		Ownership Interest	
		2020	2019
Name of entity	**Principal activity**	%ownership	%ownership
Macquarie Korea Opportunities Fund No.3[1]	Private Equity Fund	3.35	3.35

[1]The Company holds a 3.35% interest in Macquarie Korea Opportunities Fund No.3 (MKOF3) and accounts for it as an interest in associate on the basis of exercising significant influence through its ownership of the general partner and limited partner of this fund, Macquarie Korea Asset Management Co., Ltd. MKOF3 is a closed private equity fund. An analysis at 31 March 2020 which included an assessment of the impact of COVID-19 confirmed no impairment indicators were present.

	2020	2019
	£	£
Note 12. Investments in subsidiaries		
Investment at cost with no provisions for impairment	34,690,269	30,877,880
Total investment in subsidiary	34,690,269	30,877,880

The material subsidiaries of the Company, based on contribution to the Company's profit after income tax, the size of the investment made by the Company or the nature of activities conducted by the subsidiary, are:

Name of subsidiary	Nature of business	Country of incorporation	2020 %ownership	2020	2019
				£	£
Macquarie Korea Asset Management Co., Ltd.[1]	Fund manager	9th Floor, Hansha Building 109 Sogong-ro, Jung-gu Seoul 04525 Korea	100	34,690,269	30,877,880
Total investment in subsidiary				34,690,269	30,877,880

[1]In accordance with the Company's accounting policies, the Company reviewed its investment in subsidiaries for indicators of impairment. Where its investments had indicators of impairment, the investments' carrying value was compared to its recoverable value which was determined to be its fair value less costs to sell (valuation). The review of the investments for indicators of impairment and the measurement of the recoverable value considered the impact of COVID-19. As a consequence, no impairment has been recognised during the financial year for its subsidiary, Macquarie Korea Asset Management Co., Ltd.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 12. Investments in subsidiaries (continued)

Class of shares	2020 Number of shares	2019 Number of shares	2020 % held	2019 % held
Ordinary shares	**2,618,483**	2,388,000	**100**	100
Type 1 preferred shares	**3,612,000**	3,612,000	**100**	100
Type 2 preferred shares	**1,201,500**	1,201,500	**80**	80

The nominal value of each of the above classes of share is KRW 500 each.

The Directors believe that the carrying value of the investment is supported by its recoverable value.

The Company hedges movements in the fair value of the investment attributable to foreign currency fluctuations as outlined in Note 2(vii) and Note 25.

Note 13. Debtors

	2020 £	2019 £
Amounts owed by other Macquarie Group undertakings[1]	**145,693,439**	69,393,851
Derivative assets (Note 25)	**239,259**	-
Fees and other receivables[2]	**6,890,089**	4,686,812
Prepayments	**367,304**	815,409
Other taxes	**169,781**	-
Total debtors	**153,359,872**	74,896,072

[1]Amounts 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 2020 the rate applied ranged between LIBOR plus .85% and LIBOR plus 2.86% (2019: between LIBOR plus 1.18% and LIBOR plus 1.93%).

At the reporting date, amounts owed by other Macquarie Group undertakings has ECL allowance of £59,254 (2019: £93,349) which is net presented against the gross carrying amount.

[2]Includes £21,711,840 (2019: £17,143,320) of base fee receivables. Fees and other receivables includes £410,584 (2019: £2,320,581) of contract assets in respect of out-of-pocket expenses and other accrued income. At the reporting date, fees and other receivables has an ECL allowance of £14,487,320 (2019: £14,483,778) which is net presented against the gross carrying amount. Provision for doubtful debts include Stage III ECL of £14,477,136 (2019: £14,477,136).

Note 14. Cash at bank

	2020 £	2019 £
Cash at bank	**709,636**	365,553
Total Cash at bank	**709,636**	365,553

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

	2020 £	2019 £
Note 15. Creditors: amounts falling due within one year		
Amounts owed to other Macquarie Group	8,215,809	1,800,024
Accruals and deferred income[2]	5,230,869	11,203,836
Derivative liabilities (Note 25)	3,933,145	4,208,391
Fees payable	601,836	1,950,259
Taxation	7,055,768	768,356
Total creditors: amounts falling due within one year	25,037,427	19,930,865

[1]Amount due 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 2020 the rate applied was LIBOR plus 1.74% (2019: LIBOR plus 1.93%).

[2]Includes £3,827,216 (2019: £6,866,785) of contract liabilities related to base fee income received in advance. £4,436,376 of base fee income was recognised in the current year which was included under contract liability at the beginning of the year.

Note 16. Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2020 £	2019 £
Other assets and liabilities	498,443	394,225
Fixed assets	59,410	33,779
Total deferred tax assets	557,853	428,004
Deferred tax on derivatives	(14,533)	(15,604)
Deferred tax on investments	(666,023)	(609,980)
Total deferred tax liabilities	(680,556)	(625,584)
Net deferred tax liabilities	(122,703)	(197,580)

	2020 £	2019 £
Reconciliation of the Company's movement in deferred tax assets		
Balance at the beginning of the financial year	428,004	336,316
Temporary differences:		
Amounts credited to profit and loss	108,852	99,373
Adjustments to tax in respect of prior years	6,879	(7,263)
Deferred tax charged to equity	(36,235)	9,938
Change in tax rate	50,353	(10,360)
Balance at the end of the financial year	557,853	428,004

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

	2020 £	2019 £
Reconciliation of the Company's movement in deferred tax liabilities		
Balance at the beginning of the financial year	(625,584)	(190,461)
Temporary differences:		
Amounts (credited)/charged to profit and loss	(14,224)	(481,522)
Adjustments to tax in respect of prior years	32,850	(1)
Change in tax rate	(73,598)	46,400
Balance at the end of the financial year	(680,556)	(625,584)

Revenue authorities undertake risk reviews and audits as part of their normal activities. The Company has assessed these and other taxation claims and litigation, including seeking external advice where appropriate, and considers that it holds appropriate positions.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

	2020 £	2019 £
Note 17. Provisions for liabilities		
Provision for employee entitlements	3,942,955	6,534,050
Total provisions for liabilities	3,942,955	6,534,050
Reconciliation of provisions:		
Balance at the beginning of the financial year	6,534,050	4,037,693
Provisions made during the year	1,543,048	4,461,481
Provisions reversed during the year	(2,657,254)	-
Provisions used during the year	(1,653,811)	(1,950,139)
Transfers from other Macquarie Group undertakings	160,612	9,465
Foreign exchange movements	16,310	(24,450)
Balance at the end of the financial year	3,942,955	6,534,050
Maturity profile of provision for employee benefits payable:		
Within 1 year	2,204,466	5,260,529
Between 1 and 2 years	415,511	295,367
Between 2 and 5 years	1,322,978	978,154
Balance at the end of the financial year	3,942,955	6,534,050

Note 18. Called up share capital and equity contribution from Ultimate parent

	2020 Number of shares	2019 Number of shares	2020 £	2019 £
Ordinary share capital				
Opening balance of fully paid ordinary shares	42,700,000	42,700,000	42,700,000	42,700,000
Closing balance of fully paid ordinary shares at £1 per share	42,700,000	42,700,000	42,700,000	42,700,000

	2020 £	2019 £
Equity contribution from parent entity (in relation to share-based payments)		
Opening balance of equity contribution from parent	87,849	53,801
Additional equity contribution from ultimate parent entity during the financial year	(13,962)	34,048
Closing balance of contribution from ultimate parent entity (in relation to share-based payments)	73,887	87,849

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

	2020 £	2019 £
Note 19. Other reserves and profit and loss account		
Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	430,544	551,908
Exchange differences on translation of foreign operations, net of tax	139,405	(121,364)
Balance at the end of the financial year	**569,949**	430,544
Profit and loss account		
Balance at the beginning of the financial year	55,964,733	70,896,716
Change on initial application of IFRS 9	-	634,910
Change on initial application of IFRS 16 (Note 2(a))	(3,303)	-
Profit attributable to ordinary equity holders of the Company	79,154,399	14,433,107
Dividends paid on ordinary share capital (Note 7)	-	(30,000,000)
Balance at the end of the financial year	**135,115,829**	55,964,733
Total profit and loss account	**135,115,829**	55,964,733

Note 20. Capital management strategy

The Company's capital management strategy is to maximise shareholder value through optimising the level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.
The Company's capital management objectives are to:

- ensure sufficient capital resource to support the Company's business and operational requirements;
- maintain sufficient capital to exceed externally imposed capital requirements; and
- safeguard the Company's ability to continue as a going concern.

Periodic reviews of the Company's capital requirements are performed to ensure the Company is meeting its objectives.
Capital is defined as share capital and equity contribution from parent plus reserves.

The Company has satisfied its externally imposed capital requirements throughout the year.

During the current and prior financial years, the Company has continued to meet its capital requirements under its licence and no breaches have occurred.

Note 21. Related party information

During the year, a new Master Loan Agreement ("the MLA") replaced the Omnibus Loan and Deposit Agreement ("the Omnibus"), which contains the key terms for funding and related arrangements between various related body corporate entities which are under the common control of MGL. The MLA clarifies terms including tenor, pricing, settlement and offsetting terms for entities within the group. Substantially all entities which were a party to the Omnibus have acceded to the MLA.

The MLA excludes derivatives, repurchase agreements, broker settlements and stock lending-related balances. These, together with certain bespoke lending arrangements, have been presented on a gross basis as at 31 March 2020 and is not comparable with the previous year wherein they have been offset with other balances under the Omnibus.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 21. Related party information (continued)

Subsidiaries

Transactions between the Company and its subsidiaries principally arise from the granting of loans, deposit of funds, provision of management and administration services and the provision of guarantees.

All transactions with subsidiaries are in accordance with regulatory requirements, the majority of which are on commercial terms.

Balances may arise from lending and borrowing activities between the Company and its subsidiaries, which are either repayable on demand or may be extended on a term basis and where appropriate may be either subordinated or collateralized.

A list of material subsidiaries is set out in Note 12 Investments in subsidiaries.

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 26.

Other related party transactions for the year ended 31 March 2020 relating to the Company's investment management and advisory clients outside the Macquarie group have been disclosed in the following table. "Receivable/(payable) at 31 March 2020" and "expenses to be charged to client" are included within "fees and other receivables" in Note 13. These items and "expenses invoiced to client" have been disclosed in the following table.

During the financial year, the Company managed MEIF 2, MEIF 3, MEIF 4, MEIF 5, MEIF 6, MRIF, and MSCIF. The Company also advised MPF Holdings Limited ("MPF"), Harry Holdings S.à.r.l. ("Harry"), MIRA UK Gas Holdings LP, and Lombard Odier Macquarie Infrastructure Fund L.P ("LMIF").

There are no other related party transactions other than those disclosed in this note.

31 March 2020

Client	Base fees	Expenses invoiced to client	Expenses to be charged to client	Receivable/ (payable) at 31 March 2020
	£	£	£	£
MEIF 4	22,078,232	271,404	36,677	-
LMIF	7,410,641	52,665	7,448	2,461,750
MEIF 2	4,118,936	93,915	10,188	-
MEIF 3	3,111,697	82,931	10,188	-
MIP IV	2,865,429	-	-	876,477
Harry	203,119	808	-	-
MRIF	63,726	51,505	-	-
MSCIF	55,690	197,615	13,180	-
MEIF 1	-	82,584	19,235	86,240
MEIF 5	-	677,772	85,844	-
MEIF 6	-	2,840,463	59,302	-
MPF	-	109,610	216	14,477,135
MIRA UK Gas Holdings LP	-	-	41,448	-

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 22. Directors' remuneration

During the financial years ended 31 March 2020 and 31 March 2019, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be meaningful. Accordingly, no separate remuneration has been disclosed apart from where stated above.

Note 23. Employee equity participation

Macquarie Group Employee Retained Equity Plan (MEREP)

The entity participates in its ultimate parent company's, MGL, share based compensation plans, being the Macquarie Group Employee Retained Equity Plan (the MEREP). In terms of this plan, awards are granted by MGL to qualifying employees for delivery of MGL shares.

Award Types under the MEREP

Restricted Share Units (RSUs)

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

The weighted average fair value of the RSU awards granted during the financial year was AUD $126.62 (2019: AUD $122.03).

Deferred Share Units (DSUs)

A DSU represents a right to receive on exercise of the DSU either an MGL's share held in the Trust or a newly issued MGL 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 the Company's shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

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

The weighted average fair value of the DSU awards granted during the financial year was AUD$ 126.55 (2019: AUD$ 122.03).

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 23. Employee equity participation (continued)

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)
- New MFHPL Group staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value, depending on level (New Hire Awards)
- In limited circumstances, MFHPL Group staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of the MFHPL Group upon the acquisition of their employer by an MFHPL Group entity or who receive an additional award at the time of joining Macquarie (also referred to above as New Hire 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)
New Hire Awards	All Director-level staff	1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation

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

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 2019 retention, the allocation price was the weighted average price of the shares acquired for the 2019 purchase period, which was 13 May 2019 to 24 June 2019. That price was calculated to be AUD $122.37 (2018 retention: AUD $113.76).

Assumptions used to determine fair value of MEREP awards

RSU's and DSU's are measured at their grant dates based on their fair value[1]. This amount is recognised as an expense evenly over the respective vesting periods.

RSUs and DSUs have been granted in the current financial year in respect of 2019. The accounting fair value of each of these grants is estimated using MGL's share price on the date of grant.

While RSUs and DSUs for FY2020 will be granted during FY2021, the entity begins recognizing an expense for these awards (based on an initial estimate) from 1 April 2019. The expense is estimated using the price of MGL ordinary shares as at 31 March 2020 and the number of equity instruments expected to vest. In the following financial year, the entity 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 entity annually reviews 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 employment expenses in the income statement. For the financial year ended 31 March 2020, compensation expense relating to the MEREP totaled £446,947 (2019: £338,324).

[1]For employees categorized as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV remuneration requirements, the fair value of the awards granted for performance periods after 1 April 2019 has been adjusted to take into account the prohibition of dividends on unvested awards.

Notes to the financial statements
for the financial year ended 31 March 2020 (continued)

Note 24. Contingent liabilities and commitments
As at 31 March 2020, the Company had an undrawn commitment of £273k (2019: £1.2m) to invest as a Limited Partner into Macquarie Korea Opportunities Fund No. 3 ("MKOF3").

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

Note 25. Derivative financial instruments

Objectives of holding and issuing derivative financial instruments

The Company uses derivatives to hedge its investments in subsidiaries and investments in associates. Hedge criteria are outlined in note 2(vii) - Summary of significant accounting policies.

Forwards and forward rate agreements

Forward contracts are an agreement between two parties that a financial instrument or commodity will be traded at a fixed price and fixed date in the future. A forward rate agreement provides for two parties to exchange foreign exchange rate differentials based on an underlying principal amount at a fixed date in the future.

Fair value hedges

- foreign exchange forward contracts used to hedge against changes in the fair value of foreign denominated equity instruments as a result of movements in market foreign exchange rates.

As at 31 March 2020, the fair value of outstanding derivatives held by the Company and designated as fair value hedges was £3,693,886 negative value (2019: £4,208,391 negative value).

Note 26. Ultimate parent undertaking
At 31 March 2020, the immediate parent undertaking of the Company is Macquarie Group Holdings (UK) No.2 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 Financial Holdings Pty Limited ("MFHPL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MFHPL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000 Australia.

Note 27. Employee information
The average number of persons employed by the Company during the financial year calculated on a monthly basis was:

	2020	2019
By activity:		
Advisory and sales	**13**	8
Administration and support services	**1**	3
Total average employees	**14**	11

Note 28. Events after the reporting year
On 3 May 2020, the representative office in Dubai was closed.

On 29 June 2020, a dividend in the amount of £14,009,612 was received from Macquarie Korea Asset Management Co., Ltd.

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 2020 not otherwise disclosed in this report.