Macquarie UK Passenger Leasing Limited

COMPANY NUMBER 05452920

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

2020 Strategic Report, Directors' Report and Financial Statements
Contents

Strategic Report
for the financial year ended 31 March 2020

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

Principal activities

The principal activity of the Company throughout the financial year ended 31 March 2020, was the leasing of rolling stock through operating lease transactions.

All of the Company's rail assets of £116,303,000 were sold subsequent to year end on 23 April 2020 and were classifed as assets held for sale on 15 February 2020, which is the date the agreement was reached. The assets were revalued at fair value and an impairment charge of £8,403,000 was recognized. It is the intention of the Directors to liquidate the entity. As a result of this intention, the financial statements are not prepared on a going concern basis. Additionally, because the leasing of rail assets was the primary operation of the entity, the operations are considered discontinued and have been presented as such in the financial statements.

Review of operations

The loss for the financial year ended 31 March 2020 was £1,351,000, a decrease from a profit of £5,154,000 in the previous financial year.

Operating profit for the year ended 31 March 2020 was £4,000, a hundred percent decrease from operating profit of £8,436,000 in the previous financial year.

Total operating expenses for the financial year ended 31 March 2020 were £19,595,000, a seventy six percent increase from £11,159,000 in the previous financial year.

As at 31 March 2020, the Company had net assets of £16,057,000 (2019: £17,408,000).

The Company entered into an agreement to sell it's entire portfolio of rail assets and at 31 March 2020, all of the the Company rail assets were classified as held for sale.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Company, are discussed in its financial statements and can be obtained from the address given in Note 20.

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

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 interest rate risk. Additional risks faced by the Company include legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

As ultimately an indirect subsidiary of MGL, the Company manages risk within the framework of the overall strategy and risk management structure of the Macquarie Group. RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director and the Board of MGL. The Head of RMG is a member of the Executive Committee of MGL. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board of MGL.

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

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

Market risk
The Company is exposed to market risk from changes in market value of rolling stock through its leasing activities. 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, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings, which also incur a variable rate of interest.

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

Section 172 (1) 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.

Macquarie UK Passenger Leasing Limited

Strategic Report

for the financial year ended 31 March 2020 (continued)

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 it is responsible for considering under Section 172 of the Companies Act 2006 have been considered to an appropriate extent by the Company. 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 Director's report on pages 7 to 9.

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

Director
Andrew Byatt
12 November 2020

Directors' Report
for the financial year ended 31 March 2020

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

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

S. Alison	(appointed on 16 October 2020)
A. Byatt	(appointed on 23 April 2020)
S. Cook	
T. Durham	(resigned on 23 April 2020)
B. O'Donnell	(appointed on 6 February 2020; resigned on 16 October 2020)
M. Sims	(resigned on 6 February 2020)
D. Weightman	

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

H. Everitt

Results
The loss for the financial year ended 31 March 2020 was £1,351,000 (2019: profit of £5,154,000).

Turnover from leasing activities accounted for £19,599,000 (2019: £19,595,000) of total income.

Dividends paid or provided for
No interim dividends were paid or provided for during the financial year (2019: nil).

No final dividend has been proposed.

State of affairs
On 15 February 2020 the Company entered into an agreement to sell all of it's tangible assets under operating leases and accordingly the Company has reclassified those assets to held for sale. Prior to the reclassification, the Company wrote down the value of the tangible assets resulting in a charge of £8,403,000.

It is the intention of the Directors to liquidate Macquarie UK Passenger Leasing Limited subsequent to the sale of tangible assets. Accordingly, the going concern basis of preparation is not appropriate for the Company and the financial statements have been prepared on a basis other than going concern. Additionally, because the leasing of rail assets was the primary operation of the entity, the operations are considered discontinued and have been presented as such in the financial statements.

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

Events after the reporting date
All of the Company's rail assets of £116,303,000 were sold on 23 April 2020 with no gain or loss, due to the assets being written down to net realizable value. It is the intention of the Directors to liquidate the entity. As a result of this intention, the financial statements are not prepared on a going concern basis.

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2020 not otherwise disclosed in this report.

Directors' Report (continued)

for the financial year ended 31 March 2020

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, Macquarie UK Passenger Leasing Limited'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.

There will not be any signficant impact relating to IBOR reform as the entity is a discontinued operation.

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. 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 in Note 2.

There will not be any signficant impact relating to COVID-19 as the entity is a discontinued operation.

Given that it is the intention of the Directors to liquidate Macquarie UK Passenger Leasing Limited, the going concern basis of preparation is not appropriate for the Company and the financial statements have been prepared on a basis other than going concern. The Directors believe that no significant changes are expected other than those already disclosed in this report.

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

Directors' Report (continued)

for the financial year ended 31 March 2020

Indemnification and insurance of Directors

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

Statement of Directors' responsibilities 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 these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Section 172 Disclosure

The Directors acknowledge their responsibility under section 172 (1) of the Companies Act of 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 and have considered all relevant matters where appropriate in respect of the Company's stakeholders, who are principally its group shareholder and customers.

The following sets out the requirements of section 172 (1), and notes how the Directors have discharged their duties. The key decision made by the Company during the year related to entering into an agreement to sell the Company's rolling stock operating lease business to an external party.

Directors' Report (continued)

for the financial year ended 31 March 2020

(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 workforce

The Company itself does not have any direct employees but utilises the services of employees employed by the Company's direct parent, Macquarie Asset Finance Holdings Limited, and other Macquarie Group companies via a range of internal shared services agreements.

(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. During the financial year members of the Board oversaw the manner in which the Company dealt with its various business relationships.

With respect to customers, the Company is committed to the principle of treating customers fairly. The Company's operating lease transaction continued throughout the financial year.

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.

(d) Community and the environment:

Clear dialogue with stakeholders is important to building strong relationships, understanding external dynamics, earning and maintaining trust, enhancing business performance and evolving our Environmental Social and Governance ("ESG") approach.

Macquarie Group recognises that failure to manage ESG risks could expose the organisation to commercial, reputational and regulatory impacts and could 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 itself and business proposals brought to the Company are subject.

Directors' Report (continued)

for the financial year ended 31 March 2020

(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 Macquarie's workforce.

(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. The agreement to sell the Company's rolling stock operating lease business was also considered and approved by the direct parent of the Company in its own right, as an additional party to the sale. The interests of relevant stakeholders were considered by the Directors in the major developments, activities or transactions described in the principal activities in the strategic 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. As it is the intention of the Directors to liquidate Macquarie European Rail Limited, should the liquidation be successful, the auditors will not be required.

On behalf of the Board

Director
Andrew Byatt
12 November 2020

Independent auditors' report to the members of Macquarie UK Passenger Leasing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macquarie UK Passenger Leasing 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 loss 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 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than 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.

Independent auditors' report to the members of Macquarie UK Passenger Leasing Limited (continued)

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.

MA

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

12 November 2020

Financial Statements

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

		Discontinued operations	
		2020	**2019**
	Note	**£'000**	£'000
Turnover	3	**19,599**	19,595
Administrative expenses	3	**(5,841)**	(5,515)
Other operating expenses	3	**(13,754)**	(5,644)
Operating profit		**4**	8,436
Interest receivable and similar income	4	**1,987**	2,291
Interest payable and similar charges	5	**(2,466)**	(4,180)
Other losses		**-**	(271)
(Loss) / profit before taxation		**(475)**	6,276
Tax on loss / profit	6	**(876)**	(1,122)
(Loss) / profit for the financial year		**(1,351)**	5,154

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

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

	Note	2020 £'000	2019 £'000
(Loss) / profit for the financial year	15	**(1,351)**	5,154
Other comprehensive income/(expense):			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Exchange differences on translation of foreign operations, net of tax	15	**(1)**	-
Other comprehensive expense	15	**(1)**	-
Total comprehensive (expense) / income		**(1,352)**	5,154
Total comprehensive (expense) /income attributable to ordinary equity holders of the Company		**(1,352)**	5,154

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

Macquarie UK Passenger Leasing Limited

Balance sheet
as at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible Assets	7	-	129,150
Current assets			
Debtors	9	147,063	27,774
Cash at bank	10	4	1
Held for sale assets: rail cars	8	116,303	-
Current liabilities			
Creditors: amounts falling due within one year	11	(219,206)	(4,509)
Deferred tax liabilities	6	(7,931)	-
Held for sale liabilities: maintenance reserves	12	(20,176)	-
Net current assets		16,057	23,266
Total assets less current liabilities		16,057	152,416
Creditors: amounts falling due after more than one year	13	-	(126,978)
Deferred tax liabilities	6	-	(8,030)
Net assets		16,057	17,408
Capital and reserves			
Called up share capital	14	-	-
Other Reserves	15	(1)	-
Profit and loss account	15	16,058	17,408
Total shareholders' funds		16,057	17,408

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

The financial statements on pages 12 to 31 were authorised for issue by the Board of Directors on 12 November 2020 and were signed on its behalf by:

Director
Andrew Byatt

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

	Note	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 April 2018		-	-	12,254	12,254
Profit for the financial year	15	-	-	5,154	5,154
Other comprehensive income	15	-	-	-	-
Balance at 31 March 2019		-	-	**17,408**	**17,408**
Loss for the financial year	15	-	-	(1,351)	(1,351)
Other comprehensive expense	15	-	(1)	-	(1)
Total comprehensive expense		-	(1)	(1,351)	(1,352)
Balance at 31 March 2020		-	(1)	**16,057**	**16,056**

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 are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

Given it is the intention of the Directors to liquidate Macquarie UK Passenger Leasing Limited, the going concern basis of preparation is not appropriate for the Company and the financial statements have been prepared on a basis other than going concern, in accordance with the Companies Act 2006. No adjustments were necessary to reduce assets to their realisable values or to provide for liabilities arising from the decision.

The Company's rail assets were sold subsequent to year end and since the leasing of rail assets was the primary operation of the entity, the operations are considered discontinued and have been presented as such in the financial statements. The rail assets and liabilities have been classified as held for sale, all balances are considered current at the balance sheet date, and have been measured at net recoverable cost being the lower of cost or fair value less cost of disposal.

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 except for the following items:

• financial instruments (including derivatives) required to be measured at fair value through profit or loss (FVTPL);

• non-current assets and disposal groups that have been classified as held for sale and where the disposal group has been written down to its fair value less costs to sell; and

• certain other non-financial assets and liabilities that are measured at fair value.

The financial statements contain information about the Company as an individual company.

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 International Financial Reporting Standards ("IFRS"):

• The requirements of paragraph 33(c) of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' (details of cash
• 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 to the extent that they apply to non-financial assets).
• The requirements of paragraphs 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  o Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
  o 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 and 111 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures).
• The requirements of IAS 7 'Statement of Cash Flows'.
• The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
• 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 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 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 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 (continued)
for the financial year ended 31 March 2020

Note 2. Summary of significant accounting policies (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 report such as:

- judgment in determining the net recoverable amount of assets and liabilities which is the lower of cost or fair value less cost of disposal;
- judgement in determining the appropriate business model for a group of financial assets which includes determining the level at which the business model condition is applied and whether past or expected sales activity is consistent with a held to collect business model (Note 2(vi));
- judgement in the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss (ECL) including the determination of significant increase in credit risk (SICR), forecasts of economic conditions and the weightings assigned thereto (note 2(viii));
- judgement in recognition and measurement of provisions related to actual and potential claims, determination of supplemental rent, maintenance liabilities and end of lease compensation (Note 2(xvi));
- estimates in fair value of assets and liabilities including determination of non-recurring fair values and accounting for day 1 profits or losses for financial instruments (Note 2(vi))
- estimates in recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (note 6);
- estimates in measurement of impairment of assets held under operating leases with indicators of impairment (notes 2(xvi) and 8); and
- estimates in measurement of maintenance reserve liability.

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

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

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

Note 2. Summary of significant accounting policies (continued)

Critical accounting estimates and significant judgements (continued)

Consideration of the statements of financial position and further disclosures

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

Derivative assets and liabilities

Given recent market volatility, the Company reviewed the appropriateness of the inputs to its valuations at balance date. The impact of changes of inputs to the valuations has also been considered in terms of the classification of exposures in the fair value hierarchy and transfers within the fair value hierarchy. Refer to Note 19.

Held for sale assets and liabilities

Held for sale assets and liabilities include rail assets and maintenance reserve liabilities for which either the conditions precedent relating to the disposal were met or the assets were disposed post the balance date. For these and other items that are classified as held for sale, the appropriateness of the held for sale classification at the reporting date was reassessed and affirmed. Further, the impact of COVID-19 on the carrying value of the assets and liabilities that were classified as held for sale was assessed. Refer to Notes 8 and 12.

Loans and receivables

In response to COVID-19 the Company undertook a review of wholesale and retail credit portfolios, loan 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. Refer to Note 9.

New Accounting Standards and amendments to Accounting Standards and that are either effective in the current financial year or have been early adopted

The new accounting Standard IFRS 16 Leases, amendments to accounting Standards IAS 23 Borrowing costs and IAS 19 Employee benefits; and IFRS 23 Interpretation 23 Uncertainty over Income Tax Treatment that are effective for the year ended 31 March 2020 did not have a material impact on the Company's financial statements.

(ii) Going concern

The Directors intend to liquidate the Company, and therefore will not continue in operational existence for the foreseeable future. The Company therefore has prepared the financial statements on a basis other than a going concern. Non current assets classified as held for sale are recorded at the lower of carrying amount and fair value less cost to sell.

(iii) Foreign currency translations

Functional and presentation currency

The functional currency of the Company is determined as the currency of the primary economic environment in which the Company operates. The 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 net trading income

Translation differences on financial instruments measured at fair value through profit or loss, are reported as part of the fair value gain or loss in the profit and loss account.

For the detailed policy on Financial instruments refer Note 2(vi).

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

Note 2. Summary of significant accounting policies (continued)

(iv) Revenue and expense recognition

Net operating lease income

Operating lease income is recognised on a straight-line basis over the lease term. It comprises operating lease income and supplemental rent and is presented net of the related depreciation expense.

Net interest income/expense

Interest income and expense is recognised using the effective interest rate ("EIR") method for financial assets and liabilities carried at amortized 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 of the instrument in accordance with the EIR method.

Other operating income / (expenses)

Other operating income/(expenses) comprises of net trading income, investment income, and other income.

Net trading income comprises gains and losses related to trading assets/liabilities and derivatives including all realised and unrealised fair value changes, dividends and foreign exchange differences.

Expenses

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

(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 to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts that are payable in the next period. 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

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

Note 2. Summary of significant accounting policies (continued)

(v) Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.
The Company 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 and recognition of deferred tax assets requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

Where VAT is not recoverable from 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 VAT is recoverable from or payable to tax authorities, the amount is recorded as a separate asset or liability in the balance sheet.

(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.

The best evidence of a financial instrument'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 instrument 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 income statement 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.

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another
- have the same counterparty
- relate to the same risk
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction
- consideration of whether each of the financial instruments has its own terms and conditions and each may be transferred or settled separately.

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

(vi) Financial instruments (continued)

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.

A financial asset is transferred if, and only if, the Company i) transfers the contractual rights to receive the cash flows of the financial asset, or ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:
- the Company is not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset,
- the Company is prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- the Company is obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

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.

Financial liabilities

Financial liabilities are de-recognised from the balance sheet when the Company's obligation has been discharged, cancelled or has expired.

Gains and losses arising from the derecognition of debt financial assets or financial liabilities that are subsequently measured at amortised cost are recognised in other income as part of other operating income and expenses, while those arising from the derecognition of debt financial assets or financial liabilities that are subsequently measured at FVTPL are recognised as investment income as part of other operating income and expenses.

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 the Macquarie Group's key management personnel;
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
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 its 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 (continued)
for the financial year ended 31 March 2020

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 if the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows

(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 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 FVOCI are measured at FVTPL.

For the purposes of the Company's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading (held for trading or 'HFT'). This classification includes all derivative financial assets
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL)
- 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 (FVTPL).

For financial instruments measured at FVTPL, the best evidence of 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 financial instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit is deferred and is recognised in the profit and loss account over the life of the transaction or when the inputs become observable.

Changes in the fair value of HFT financial instruments are recognised in net trading income. Changes in the fair value of financial assets that are DFVTPL and FVTPL are recognised as part of other operating income and charges.

The interest component of financial assets that are measured at DFVTPL and FVTPL is recognised in interest income.

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 instrument's new measurement category.

The Company does not reclassify financial liabilities after initial recognition.

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

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised cost. Gains and losses arising from the derecognition of financial liabilities that are subsequently measured on an amortised cost basis are recognised in other income as part of other operating income and charges in the profit and loss account.

All derivative liabilities are classified as held for the purpose of trading, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL.

The changes in fair value of financial liabilities that are measured at FVTPL are recognised as part of net trading income. Changes in the fair value of financial liabilities that are classified as DFVTPL are recognised in other income as part of other operating income and expenses, with the exception of changes in fair value relating to changes in the Company's own credit risk that is presented separately in OCI and is not subsequently reclassified to profit or loss. The interest component of financial liabilities that are measured at FVTPL or DFVTPL is recognised in interest expense

Offsetting of financial instruments

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

(vii) Derivative Instruments and hedging activities

Derivative instruments entered into by the Company comprise interest rate swaps. These derivative instruments are principally used for the risk management of existing financial assets and financial 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 prices in active markets where available, and valuation techniques including discounted cash flow models and option pricing models, as appropriate.

The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 2 (vi) Financial instruments.

The Company applies trade date accounting to the recognition and derecognition of derivative financial instruments.

(viii) Impairment

Expected credit losses ("ECL")

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

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

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.

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

Note 2. Summary of significant accounting policies (continued)

(viii) Impairment (continued)

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

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.

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

- Lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount

Impairment of tangible assets

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.

(ix) Tangible assets

Tangible 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 include assets leased out under operating leases. Depreciation to allocate the difference between cost and residual values over the estimated useful life is calculated on the following bases:
–straight-line basis for all other assets.

The asset leased out under operating leases is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Tangible asset	Depreciation Rate
Assets under operating leases	3 to 4 percent

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.

(x) Provisions contingent liabilities

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

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

Note 2. Summary of significant accounting policies (continued)

(xi) Cash and cash equivalents

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.

(xii) Leases

Determine whether an arrangement contains a lease

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 a lessor

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

Operating lease

Where the Company is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 2 (ix) Tangible Assets. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in tangible assets.

(xiii) Due to/ from related entities

Transactions between the Company and related entities principally arise from the provision of banking and other financial services, lending arrangements and acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees. 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.

(xiv) 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.

(xv) Comparatives

Where necessary, comparative information has been reclassified to conform with changes in presentation in the current year. The Company made a change for depreciation which is included in other operating expenses, and in the prior year financial statements it was included in administrative expenses.

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

Note 2. Summary of significant accounting policies (continued)

(xvi) Non-current assets and liabilities of disposal groups classified as held for sale

This category includes interests in businesses, subsidiaries, associates and joint ventures and other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute (disposal group) for which their carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and it is highly probable that they will be sold or distributed within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Company retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities are classified as held for sale.

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation are suspended when the held for sale criteria is satisfied.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell and is recognised in the profit and loss account. A gain is recognised for any subsequent increase in fair value less costs to sell, limited to the cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of sale.

Financial assets and liabilities that are classified as held for sale are measured in accordance with the Company's financial instruments policies.

(xvii) Rounding of amounts

All amounts in the Strategic Report, Directors' Report and Financial Statements have been rounded off to the nearest thousand pound sterling (£'000) unless otherwise indicated.

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

	2020 £'000	2019 £'000
Note 3. (Loss) / profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after crediting/(charging)		
Turnover		
Operating lease income	**19,595**	19,595
Other revenue	**4**	-
Total turnover	**19,599**	19,595
Administrative expenses		
Service fees paid to other Macquarie Group undertakings	**(5,752)**	(5,493)
Other expenses	**(61)**	(6)
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	**(28)**	(16)
Total administrative expenses	**(5,841)**	(5,515)
Other operating expenses		
Depreciation charges	**(4,444)**	(5,087)
Impairment on assets	**(8,403)**	-
Fair value movements on derivatives	**(810)**	(410)
Other operating expenses	**(97)**	(147)
Total other operating expenses	**(13,754)**	(5,644)
Total operating expenses	**(19,595)**	(11,159)

The Company had no employees during the year (2019: nil).

Note 4. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from other Macquarie Group undertakings	**1,987**	2,291
Total interest receivable and similar income	**1,987**	2,291

Note 5. Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable to other Macquarie Group undertakings	**(2,466)**	(4,180)
Total interest payable and similar charges	**(2,466)**	(4,180)

Note 6. Taxation

Analysis of the tax charge for the year

	2020 £'000	2019 £'000
Current tax		
UK corporation tax at 19% (2019: 19%)	**(975)**	(329)
Total current tax	**(975)**	(329)
Deferred tax		
Origination and reversal of temporary differences	**1,044**	(886)
Effect of changes in tax rates	**(945)**	93
Total deferred tax	**99**	(793)
Total tax on profit on ordinary activities	**(876)**	(1,122)

Factors affecting tax charge for the year:

The income tax expense for the year is higher (2019: lower) due to the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained as follows:

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

Note 6. Taxation (continued)

	2020 £'000	2019 £'000
(Loss) / profit on ordinary activities before taxation	**(475)**	6,276
(Loss) / profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	**90**	(1,193)
Effect of:		
Effect of changes in tax rates	**(945)**	93
Non deductible expenses	**(29)**	(30)
Other	**8**	8
Total income tax	**(876)**	(1,122)

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%.

	2020 £'000	2019 £'000
Deferred income tax liabilities		
Fixed assets	**(7,931)**	(8,030)
Total deferred income tax liabilities	**(7,931)**	(8,030)

	2020 £'000	2019 £'000
Reconciliation of the Company's movement in deferred tax liabilities:		
Balance at the beginning of the financial year	**(8,030)**	(7,237)
Timing differences:		
Deferred tax charged to income statement for the year	**1,044**	(886)
Effect of changes in tax rates	**(945)**	93
Balance at the end of the financial year	**(7,931)**	(8,030)

Note 7. Tangible Assets

	2020 £'000	2019 £'000
Assets under operating leases		
Rail equipment		
Cost	-	172,394
Less accumulated depreciation	-	(43,244)
Total assets under operating leases	-	129,150
Total tangible assets	-	129,150

All Tangible asset balances were reclassified as held for sale for the year ended 31 March 2020. Refer to Notes 8 and 21 for further discussion of the sale of the assets held for sale.

	2020 £'000	2019 £'000
Reconciliation of the movement in tangible assets at their carrying value:		
Balance at the beginning of the financial year	**129,150**	134,237
Depreciation expense	**(4,444)**	(5,087)
Impairment of assets	**(8,403)**	-
Reclassification to assets held for sale	**(116,303)**	-
Balance at the end of the financial year	-	129,150

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

	2020 £'000	2019 £'000
Note 8. Assets classified as held for sale: rail cars		
Rail cars under operating leases	**116,303**	-
Assets classified as held for sale	**116,303**	-

On 15 February 2020, the company entered an agreement to sell the UK passenger rail portfolio of 120 passenger vehicles to a buyer outside the Macquarie Group and the associated assets were reclassified as held for sale at fair value, resulting in an impairment of £8.4m. The assets were sold on 23 April 2020 with no gain or loss recognised based on the fair value less costs to sell.

Note 9. Debtors

	2020 £'000	2019 £'000
Amounts owed by other Macquarie Group undertakings[1]	**146,736**	26,810
Derivative financial assets[2]	-	637
Other Debtors	**327**	327
Total debtors	**147,063**	27,774

[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 1.74% and LIBOR plus 2.86% (2019: LIBOR plus 1.32% and LIBOR plus 1.93%).

[2]Further information regarding derivative financial assets is given in Note 19

At the reporting date, amounts owed from other Macquarie Group undertakings has nil ECL allowance (2019: nil).

Note 10. Cash at bank

	2020 £'000	2019 £'000
Cash at bank	**4**	1
Total cash at bank	**4**	1

Note 11. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to other Macquarie Group undertakings[1]	**217,027**	3,200
Maintenance reserve	-	-
Derivative financial liabilities[2]	**179**	-
Taxation	**975**	328
VAT payable	**979**	981
Other Provisions	**46**	-
Total creditors: amounts falling due within one year	**219,206**	4,509

[1]Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2020 the rate applied was LIBOR plus 2.30% (2019: LIBOR plus 2.41%).

[2]Further information regarding derivative financial liabilities is given in Note 19

Note 12. Liabilities classified as held for sale: maintenance reserve

	2020 £'000	2019 £'000
Maintenance reserve	**20,176**	-
Liabilities classified as held for sale	**20,176**	-

On 15 February 2020, the company entered an agreement to sell the UK passenger rail portfolio of 120 passenger vehicles to a buyer outside the Macquarie Group, and the associated maintenance reserve liabilities were reclassified as held for sale at fair value. The assets were sold on 23 April 2020 and the associated maintenance reserve liabilities were transfered to the buyer.

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

	2020 £'000	2019 £'000
Amounts owed to other Macquarie Group undertakings1	-	107,118
Maintenance reserve	-	19,860
Total creditors: amounts falling due after more than one year	-	126,978

1Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 2.41%.

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

Note 14. Called up share capital

	2020 Number of shares	2019 Number of shares	2020 £	2019 £
Ordinary share capital				
Opening balance of ordinary shares at £1 each	**100**	100	**100**	100
Closing balance of fully paid ordinary shares	**100**	100	**100**	100

Note 15. Other reserves and profit and loss account

	2020 £'000	2019 £'000
Foreign currency translation reserve		
Balance at the beginning of the financial year	**-**	-
Currency translation differences arising during the financial year, net of hedge	**(1)**	-
Balance at the end of the financial year	**(1)**	-
Profit and loss account		
Balance at the beginning of the financial year	**17,408**	12,254
Profit for the financial year	**(1,351)**	5,154
Balance at the end of the financial year	**16,057**	17,408

Note 16. 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.

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 20.

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

Note 17. Directors' remuneration

During the financial years ended 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 18. Contingent liabilities and commitments

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

Note 19. Derivative financial instruments

Objectives of holding derivative financial instruments

The Company uses derivatives to hedge interest rate risk. The Company does not apply hedge accounting and recognises the change in fair value of derivatives in its profit and loss account under other operating expenses.

Swaps: Swap transactions provide for two parties to swap a series of cash flows in relation to an underlying principal amount, usually to exchange a fixed interest rate for a floating interest rate.

As at 31 March 2020, the fair value of outstanding interest rate swaps held by the Company was £178,623 negative value (2019: £636,644 positive value).

Note 20. Ultimate parent undertaking

At 31 March 2020, the immediate parent undertaking of the Company is Macquarie Asset Finance Holdings Limited.

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

Note 21. Events after the reporting year

The assets held for sale as at 31 March 2020 were sold subsequent to the year end on 23 April 2020. The UK Rail freight portfolio was sold to the buyer outside the Macquarie Group, at a fair value of £96.1m with no gain or loss. The sale also includes a put option agreement, however the buyer is not considered to have a significant economic incentive to exercise the put option and as a result the transaction is was recognised as a disposal of those assets. Dependent on the assessment of likelihood of buyer to exercising the put option, the retained risk will either be recognised by (a) deferring the present value of the put option price on balance sheet and retaining a corresponding asset on balance sheet for the residual risk of the rail assets; or (b) recognising a complete sale of the relevant rail assets. Macquarie will be required to re-assess the likelihood of the option being exercised including the recognition of a loss to the extent the asset's value falls below the put option price.

There were no other material events subsequent to 31 March 2020 that have not been reflected in the financial statements.