Macquarie Leasing Limited
COMPANY NUMBER 05867292

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

MACQUARIE

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

Macquarie Leasing Limited

2019 Strategic Report, Directors' Report and Financial Statements

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Strategic Report
for the financial year ended 31 March 2019

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

Principal activities

The principal activity of the Company during the financial year ended 31 March 2019 was the management of Master Service Agreements ("MSAs") for Automated Meter Reading ("AMR") electricity metering points, together with smart and traditional domestic meters to energy suppliers. The management of MSAs includes the procurement of meters and their onward sale to the other group companies, for which the Company acts as agent in respect of leasing to energy suppliers. The Company also administers various service agreements for other group undertakings for which it receives fees.

Review of operations

The profit for the financial year ended 31 March 2019 was £2,227,000 (2018: £3,840,000).

Operating profit for the year ended 31 March 2019 was £2,465,000 (2018: £4,286,000).

Total operating expenses for the year ended 31 March 2019 was £7,395,000 (2018: £7,849,000).

As at 31 March 2019, the Company had net assets of £360,000 (2018: £1,350,000).

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 15.

The Macquarie Group operates parts of its European Union ("EU") business from United Kingdom based subsidiaries such as the Company. 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 economic, regulatory and legal environment as a result of Brexit will depend on the nature of the transitional arrangements (if any), and the Company continues to assess the possible impacts of Brexit and its strategic options to mitigate those impacts.

Financial risk management

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

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

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

Financial risk management (continued)

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

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

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

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

Other matters
Given the straightforward nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of financial and non-financial key performance indicators, the Company's business impact on the environment and social, community and human rights issues in the Strategic Report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board

STUART MACKIE

Director
27 September 2019

Directors' Report
for the financial year ended 31 March 2019
Company Number 05867292

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

Directors and Secretaries

The Directors who each held office as a Director of the Company throughout the year and until the date of this report, unless disclosed otherwise, were:
J Liddy
L Tricarico
L McCarthy Cronin (Resigned 25 September 2018)
S Mackie (Appointed 25 September 2018)

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

Results

The profit for the financial year ended 31 March 2019 was £2,227,000 (2018: £3,840,000).

Dividends

Interim dividends of £3,200,000 (2018: Interim £3,450,000) were paid during the current financial year.

No final dividend has been proposed.

State of affairs

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

Events after the reporting year

On 27 September 2019, an interim dividend of £750,000 in relation to the year ended 31 March 2020 was declared.

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2019 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

The Directors believe that no significant changes are expected other than those already disclosed in this report.

Financial risk management

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

Directors' Report (continued)
for the financial year ended 31 March 2019
Company Number 05867292

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

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors
In the case of each Director in office at the date the Directors' Report is approved:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

On behalf of the Board

STUART MACKIE

Director
27 September 2019

Independent auditors' report to the members of Macquarie Leasing Limited

Report on the audit of the financial statements

Opinion

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

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andy Grimbly

Andy Grimbly (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
30 September 2019

Financial Statements

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

	Notes	2019[1] £'000	2018 £'000
Turnover		**125,524**	95,088
Cost of Sales		**(115,664)**	(82,953)
Gross profit		**9,860**	12,135
Administrative expenses	3	**(7,386)**	(7,872)
Other operating (expenses)/income		**(9)**	23
Operating profit		**2,465**	4,286
Interest receivable and similar income	4	**328**	357
Interest payable and similar charges	5	**(46)**	(139)
Profit on ordinary activities before taxation	3	**2,747**	4,504
Tax on profit on ordinary activities	6	**(520)**	(664)
Profit for the financial year	10	**2,227**	3,840

The above profit and loss account should be read in conjunction with the accompanying notes on pages 11 to 20, which form an integral part of the financial statements.

[1]The March 2019 financial results reflect the adoption of IFRS 9 – Financial Instruments ("IFRS 9") and IFRS 15 – Revenue from contracts with customers ("IFRS 15") on 1 April 2018. As permitted by IFRS 9 and IFRS 15, the Company has not restated previously reported financial years. Refer to Note 2 for the impact on the Company from initial adoption of IFRS 9 and IFRS 15.

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

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

Balance sheet
as at 31 March 2019

	Notes	2019[1] £'000	2018 £'000
Current assets			
Debtors	7	**38,305**	23,631
Current liabilities			
Creditors: amounts falling due within one year	8	**(37,945)**	(22,281)
Net current assets		**360**	1,350
Total assets less current liabilities		**360**	1,350
Net assets		**360**	1,350
Capital and reserves			
Called up share capital	9	**-**	-
Profit and loss account	10	**360**	1,350
Total shareholders' funds		**360**	1,350

The above balance sheet should be read in conjunction with the accompanying notes on pages 11 to 20, which form an integral part of the financial statements.

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

The financial statements of Macquarie Leasing Limited, registered number 05867292, on pages 8 to 20 were authorised for issue by the Board of Directors on 27 September 2019 and were signed on its behalf by:

STUART MACKIE

Director

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

	Notes	Called up share capital £000	Profit and loss account[1] £000	Total shareholders' funds £000
Balance at 1 April 2017		**-**	**960**	**960**
Profit for the financial year		-	3,840	3,840
Total comprehensive income		-	3,840	3,840
Transactions with equity holders in their capacity as ordinary equity holders:				
Dividends	11	-	(3,450)	(3,450)
Balance at 31 March 2018	10	**-**	**1,350**	**1,350**
Change on initial application of IFRS 9[2]		-	(17)	(17)
Restated balance at 1 April 2018		**-**	**1,333**	**1,333**
Profit for the financial year		-	2,227	2,227
Total comprehensive income		-	2,227	2,227
Transactions with equity holders in their capacity as ordinary equity holders:				
Dividends	11	-	(3,200)	(3,200)
Balance at 31 March 2019	10	**-**	**360**	**360**

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 11 to 20, which form an integral part of the financial statements.

[1]The profit and loss account represents accumulated comprehensive income for the year and prior years less dividends paid.

[2]The March 2019 financial results reflect the adoption of IFRS 9 and IFRS 15 on 1 April 2018. As permitted by IFRS 9 and IFRS 15, the Company has not restated previously reported financial years. Refer to Note 2 for the impact on the Company from initial adoption of IFRS 9 and IFRS 15.

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

Note 1. Company information

Macquarie Leasing Limited ('the Company') manages Master Service Agreements (MSA's) with energy suppliers, and the procurement of meters for onward sale to other group companies.

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. The Company's principal place of business is Suites 3-4 Warners Mill, Silks Way, Braintree CM7 3GB, United Kingdom.

Note 2. Summary of significant accounting policies

i) Basis of preparation

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention.

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").

The Company is a qualifying entity for the purposes of FRS 101. Note 15 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

In accordance with FRS 101 the Company has availed of an exemption from the following paragraphs of IFRS:
• The requirements of IFRS 7 'Financial Instruments: Disclosures'.
• The requirements of paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
• The requirements of paragraphs 38 of International Accounting Standards ("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), 16, 38B to 38D, 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.

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

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Critical accounting estimates and significant judgements

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. 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:
- measurement of Expected Credit Loss (ECL) including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecast of economic conditions (Note 2(xii))
- recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities (Note 6).
- calculation of the maintenance reserve liability (note 2 (xiii) and note 8)

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

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

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

IFRS 9 Financial Instruments

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

Transition:
As permitted by IFRS 9, the Company has not restated its comparative financial statements and has recorded transition adjustments to its opening balance sheet and retained earnings at 1 April 2018 for the impact of the adoption of the IFRS 9 requirements.

The transition adjustment did not have a material impact and resulted in a reduction of the Company's shareholder's fund by £17k after tax.

The adoption of the Classification and Measurement requirements of the standard did not result in significant measurement differences when compared to those under IAS 39.

IFRS 15 Revenue from Contracts with Customers

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

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

New Accounting Standards and amendments to Accounting Standards that are effective after 1 April 2019

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019)
The Company has considered the potential impact of adopting the upcoming new accounting standard IFRS 16 and has concluded that the impact is not material.

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

Note 2. Summary of significant accounting policies (continued)

ii) Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

iii) Foreign currency translation

Functional and presentation currency

The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the net trading income.

iv) Revenue and expense recognition

Sale of meters

Revenue in relation to the sale of meters to another entity is recognised when the risks and rewards of ownership have passed.

Fees from entities within the Macquarie Group

Revenue in relation to fees from entities within the Macquarie Group, for work performed on global group activities, are brought to account on an accrual basis.

Other operating income/expense

Other operating income/expense comprises other gains and losses relating to foreign exchange differences and credit impairment charges on financial instruments.

Net interest income/expense

Interest income and interest expense is recognised using the effective interest rate (EIR) method for financial assets and liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

Expenses

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

v) Turnover

All activities are generated in the United Kingdom and relate to the Company's principal business.

vi) Dividends

The interim dividend is recognised when paid, and the final dividend is recognised when approved by the shareholders.

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

Note 2. Summary of significant accounting policies (continued)

vii) Taxation

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

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

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

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

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

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

viii) Loans and receivables

Loans and receivables includes amounts due from related entities, which are non-derivative financial assets.

ix) Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

x) 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

xi) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

Note 2. Summary of significant accounting policies (continued)

xii) Impairment

Expected credit losses ("ECL")

The ECL requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income (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.

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition (or for those financial assets for which the credit risk is considered to be low), ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.
Interest income is determined by applying the financial asset's EIR to the financial asset's gross carrying amount.

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

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLI that includes significant management judgement.
Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity of the financial asset. For revolving facilities, the Company exercises judgement based on the behavioural, rather than contractual characteristics of the facility type.
Interest income is determined by applying the financial asset's EIR to the financial asset's gross carrying amount.

(iii) Stage III – Lifetime ECL credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.
The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD and EAD, adjusted for FLI.
Interest income is determined by applying the financial asset's EIR to the financial asset's amortised cost carrying value, being the gross carrying value after the ECL provision.

(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.

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

Note 2. Summary of significant accounting policies (continued)

xii) Impairment (continued)

Expected credit losses (continued)

The loss allowances for ECL are presented in the balance sheet as follows:
• Loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
• Loan assets, loan to associates and joint ventures, and debt financial investments measured at fair value through OCI – as a reduction in the OCI reserve account under equity. The carrying amount of the asset is not adjusted as it is recognised at fair value
• Lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
• 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 financial asset, and all possible collateral has been realised, the 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.

Prior to the adoption of IFRS 9, *credit impairment provisions were recognised on an incurred* loss basis. *Key differences included:*
- an impairment loss was recorded where there was objective evidence of impairment as a result of one or more events (loss event) which had an impact on the estimated future cash flows of the financial asset that could be reliably estimated
- where the credit risk of an exposure had deteriorated but there was no objective evidence of impairment, no credit impairment was required to be recognised
- forward looking or macroeconomic information was not required to be incorporated into the determination of the credit impairment loss
- credit impairments were only required to be recognised for on-balance sheet exposures.

Credit impairments were calculated on the basis of the difference between the exposure's carrying value and the present value of expected future cash flows, discounted using the original EIR.

xiii) Maintenance reserve

Under the assumption agreement between Macquarie Leasing Limited (MLL) and Macquarie Meters 4 Limited (MM4), MLL is compensated by MM4 to assume the meter maintenance of assets owned by MM4.

The maintenance reserve liability is reviewed periodically against a set of assumptions, and the reserve adjusted accordingly, with any movement being taken through the income statement.

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.

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

Note 3. Profit on ordinary activities before taxation

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

	2019 £'000	2018 £'000
Foreign exchange gains	-	(23)
Charges associated with services performed by fellow group undertakings	7,313	7,862
Inventory recognised as an expense	11	13
Credit impairment charges[1]		
Debtors	9	-
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	9	10

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

The Company had no employees during the current and previous financial year.

Note 4. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from other Macquarie Group undertakings	328	357
Total interest receivable and similar income	328	357

Note 5. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable to other Macquarie Group undertakings	46	139
Total interest payable and similar charges	46	139

Note 6. Taxation

i) Tax expense included in profit

	2019 £'000	2018 £'000
Current tax		
UK corporation tax at 19% (2018: 19%)	535	871
Adjustment in respect of previous periods	(15)	(207)
Total current tax	520	664
Deferred tax		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	520	664

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

Note 6. Taxation (continued)

ii) Reconciliation of effective tax rate

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

	2019 £'000	2018 £'000
Profit before taxation	2,747	4,504
Current tax charge at 19% (2018: 19%)	522	856
Effect of:		
Adjustment in respect of previous periods	(15)	(207)
Non deductible expenses	13	15
Total tax on profit on ordinary activities	520	664

The tax rate for the current year is the same as the prior year. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the UK where the company operates and generates taxable income. The UK corporation tax rate is 19% for the current year, and will reduce to 17% from 1 April 2020. Deferred tax has been measured at 17%.

(iii) Deferred tax comprises timing differences attributable to:

	2019 £'000	2018 £'000
Deferred tax assets		
IFRS 9 Transitional adjustment through equity	-	-
Total deferred tax assets	-	-
Deferred tax	-	-

(iv) Reconciliation of the Company's movement in deferred tax

	2019 £'000	2018 £'000
Reconciliation of the Company's movement in deferred tax assets:		
Balance at the beginning of the financial year	-	-
Temporary differences:		
Deferred tax charged to profit and loss account for the year	-	-
Deferred tax charged to equity	-	-
Balance at the end of the financial year	-	-

Note 7. Debtors

	2019 £'000	2018 £'000
Trade debtors	273	669
Amounts owed from other Macquarie Group undertakings	29,687	18,519
VAT recoverable	6,613	3,756
Deferred tax assets (Note 6)	-	-
Other debtors	1,732	687
Total debtors	38,305	23,631

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 2019 the rate applied ranged between LIBOR plus 1.18% and LIBOR plus 1.61% (2018: between LIBOR plus 1.36% and LIBOR plus 1.47%).

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

Note 8. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	26,201	11,669
Accruals and deferred income	11,077	9,708
Taxation	535	871
Amounts owed to other Macquarie Group undertakings	99	-
Other creditors	33	33
Total creditors: amounts falling due within one year	37,945	22,281

Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 1.46% (2018: LIBOR plus 1.36%).

Within accruals and deferred income is a balance of £4,697,000 (2018: £5,455,000) which relates to the maintenance reserve.

Note 9. Called up share capital

	2019 Number	2018 Number	2019 £	2018 £
Ordinary shares of £1 each				
Opening balance of fully paid ordinary shares	2	2	2	2
Closing balance of fully paid ordinary shares	2	2	2	2

Note 10. Profit and loss account

	2019 £'000	2018 £'000
Profit and loss account		
Balance at the beginning of the financial year	1,350	960
Change on initial application of IFRS 9 (Note 2)	(17)	-
Restated balance as at 1 April 2018	1,333	960
Profit for the financial year	2,227	3,840
Dividends paid on ordinary share capital (note 11)	(3,200)	(3,450)
Balance at the end of the financial year	360	1,350

Note 11. Dividends

	2019 £'000	2018 £'000
Dividends paid		
Dividends paid (£1,600,000 per share (2018 : £1,725,000 per share))	3,200	3,450
Total dividends paid (Note 10)	3,200	3,450

Note 12. Related party information

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 15.

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

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

Note 13. Directors' remuneration

During the financial years ended 2019 and 2018, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

Note 14. Contingent liabilities and commitments

As at the year end, the Company had unfulfilled meter purchase orders outstanding of £16,166,000.

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

Note 15. Ultimate parent undertaking

At 31 March 2019, the immediate parent undertaking of the Company is Macquarie Investments 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 Bank Limited ("MBL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MBL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000 Australia.

Note 16. Events after the reporting year

On 27 September 2019, an interim dividend of £750,000 (£375,000 per ordinary share) in relation to the year ended 31 March 2020 was declared.

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