

**Macquarie Meters 3 (UK) Limited**  
**COMPANY NUMBER 07361419**

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



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

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# Macquarie Meters 3 (UK) Limited

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## 2020 Strategic Report, Directors' Report and Financial Statements

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# Macquarie Meters 3 (UK) Limited

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## Strategic Report for the financial year ended 31 March 2020

In accordance with a resolution of the directors ("the Directors") of Macquarie Meters 3 (UK) 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 2020 was the supply, leasing and maintenance of gas and electricity metering points to energy suppliers. The Company's activities also include the management of receivables relating to car leasing and lending arrangements and other small ticket lease agreements.

### Review of operations

The profit for the financial year ended 31 March 2020 was £41,969,000 an increase of 29 percent from the profit of £32,481,000, in the previous year.

Operating profit for the year ended 31 March 2020 was £102,507,000 an increase of 30 percent from the operating profit of £79,024,000, in the previous year.

Total operating expenses for the year ended 31 March 2020 were £20,315,000 a decrease of 28 percent from £28,154,000, in the previous year.

As at 31 March 2020, the Company had net assets of £110,987,000 (2019: £85,191,000).

The key performance indicators ("KPIs") that the Company monitors are Turnover, Net Profit before Tax ("NPBT") and carrying value of meters removed. Turnover for the year ended 31 March 2020 was £262,295,000 (2019: £226,028,000). NPBT for the year ended 31 March 2020 was £53,936,000 (2019: £39,684,000).

### 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 19.

On 29 March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU (known as "Brexit"). The UK government and the EU Commission subsequently agreed an Article 50 Withdrawal Agreement, pursuant to which a transition period commenced which lasted until 31 December 2020. On 24 December 2020, the United Kingdom and the EU reached agreement on a number of areas relating to their future relationship. This agreement generally did not address financial services, and the nature of the future financial services regime between the UK and EU remains subject to ongoing engagement between the parties. The Company continues to assess the possible impacts of Brexit and its strategic options to mitigate those impacts.

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

### Financial risk management

Risk is an integral part of the Macquarie Group's businesses. The Company is exposed to a variety of financial risks that include the effects of credit risk, liquidity risk 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.

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# Macquarie Meters 3 (UK) Limited

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

### Financial risk management (continued)

#### Credit risk

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

#### Liquidity risk

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

#### Interest rate risk

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

Interest rate risks have been mitigated by the Company by securing a long term loan facility to fund its major metering services contracts. Derivative instruments are used for hedging purposes in line with the Company's risk management policy and no trading in financial instruments is undertaken. The Company designates certain derivatives or financial instruments as hedging instruments in qualifying hedge relationships.

#### 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 of the Companies Act 2006

From the perspective of the board, 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 understanding the development, performance and position of the Company, an explanation of how the board has considered these matters is set out in the Directors' report.

### 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 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



Neil Denley  
Director  
29 January 2021

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# Macquarie Meters 3 (UK) Limited

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## Directors' Report for the financial year ended 31 March 2020 Company Number 07361419

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:

N Denley (appointed 23 March 2020)

J Liddy

S Mackie

L Tricarico (resigned 23 March 2020)

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 2020 was £41,969,000 (2019: £32,481,000).

### Dividends paid or provided for

No dividends were paid or proposed during the financial year (2019: nil).

### State of affairs

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

### Events after the reporting year

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.

### Likely developments, business strategies and prospects

#### 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. The Company is not subject to a material impact with respect to COVID-19, refer to the accounting considerations on the Company's results disclosed in Note 2.

#### 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.

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# Macquarie Meters 3 (UK) Limited

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

### Likely developments, business strategies and prospects (continued)

#### IBOR reform: Transition from inter-bank offered rates to alternative reference rates (continued)

During 2018, Macquarie Meters 3 (UK) 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.

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

### Indemnification and insurance of Directors

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

### Statement of Directors' responsibilities in respect of the financial statements

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

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

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

The Directors are 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 also 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.

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# Macquarie Meters 3 (UK) Limited

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

### Statement of Directors' responsibilities in respect of the financial statements (continued)

#### Section 172 (1) Statement

The Directors acknowledge their responsibility under section 172(1) of the Companies Act 2006 and have acted in a way that they considered, in good faith, to be most likely to promote the long-term success of the Company whilst having regard to all relevant matters in respect of the Company's stakeholders, who are principally its group shareholders, its customers, regulators and other government bodies. The Directors understand the need to foster the Company's business relationships with its stakeholders, and have done so by engaging on principal decisions taken by the Company during the financial year, and informing the stakeholders of major developments, activities or transactions which are discussed in the principal activities in the strategic report as well as the dividends section of this report. The Company is one entity within the wider Macquarie meter asset provision business and the actions taken by the Company to promote its long-term success are generally conducted with a view to this wider business.

The Board is committed to strong and effective engagement with these key stakeholders to ensure their requirements are considered in all decision-making and this informs the wider strategy of the Company.

#### Group Shareholder

All Directors are directly employed by Macquarie Bank Limited and have effective communication routes up to the Macquarie Group board.

#### Customers

The Board recognises that working with its customers to ensure the Company understands their issues is crucial to the success of the Company. The Company has regular meetings at all levels with its key customers with whom the Company has generally had longstanding relationships. The Company has been providing meter asset provision services to UK energy suppliers since 2010.

#### Regulators and UK Government bodies

The Board recognises the importance of having good relationships with the regulators and with UK Government bodies such as BEIS and OFGEM. This relationship is driven by the Directors across all the Macquarie meter asset provision business entities to ensure a collective approach is taken. This business (of which the Company forms part) has regular meetings with these bodies as well as being a founding member of CMAP (Community of Meter Asset Providers), an industry body set up to provide a single voice for Meter Asset Providers.

#### Employees

There are no direct employees of the Company.

#### Streamlined energy and carbon reporting ("SECR") requirement

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

#### Disclosure of information to auditors

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

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

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# Macquarie Meters 3 (UK) Limited

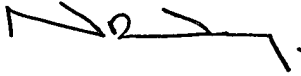
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## Directors' Report (continued) for the financial year ended 31 March 2020

### Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and, as at the date of these financial statements, the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board



Neil Denley  
Director  
29 January 2021



## ***Independent auditors' report to the members of Macquarie Meters 3 (UK) Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Macquarie Meters 3 (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; the 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.

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#### **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.

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#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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#### **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.

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# Macquarie Meters 3 (UK) Limited

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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.

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## **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, 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](http://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.

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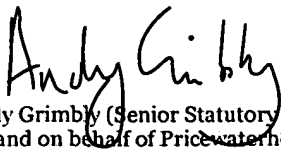
## **Other required reporting**

### **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 Grimby (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
29 January 2021

# Macquarie Meters 3 (UK) Limited

## Financial statements

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

	Note	2020 £000	2019 £000
Turnover	3	262,295	226,028
Cost of sales		(139,473)	(118,850)
<b>Gross profit</b>		<b>122,822</b>	<b>107,178</b>
Administrative expenses	3	(20,317)	(28,144)
Other operating income/(expenses)	3	2	(10)
<b>Operating profit</b>		<b>102,507</b>	<b>79,024</b>
Interest receivable and similar income	4	28,024	16,198
Interest payable and similar expense	5	(57,350)	(44,867)
Other losses		(7,780)	(5,331)
Net impairment losses on financial assets	3	(11,465)	(5,340)
<b>Profit on ordinary activities before taxation</b>	3	<b>53,936</b>	<b>39,684</b>
Tax on profit on ordinary activities	6	(11,967)	(7,203)
<b>Profit for the financial year</b>	13	<b>41,969</b>	<b>32,481</b>

The above profit and loss account should be read in conjunction with the accompanying notes on pages 13 to 29 which form an integral part of the financial statements.

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

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

	Note	2020 £000	2019 £000
<b>Profit after tax for the financial year</b>	13	<b>41,969</b>	<b>32,481</b>
Other comprehensive income/(loss):			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Cash flow hedges, net movement recognised in OCI, net of tax		(21,013)	(11,404)
Movement in deferred tax relating to cash flow hedges	11	4,840	1,939
<b>Total other comprehensive loss</b>	13	<b>(16,173)</b>	<b>(9,465)</b>
<b>Total comprehensive income</b>		<b>25,796</b>	<b>23,016</b>
Total comprehensive income for the financial year that is attributable to ordinary equity holders of the Company		25,796	23,016

The above statement of comprehensive income should be read in conjunction with the accompanying notes on pages 13 to 29, which form an integral part of the financial statements.

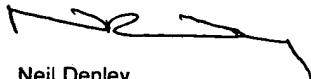
# Macquarie Meters 3 (UK) Limited

## Balance sheet as at 31 March 2020

	Note	2020 £000	2019 £000
<b>Fixed assets</b>			
Tangible assets	7	744,178	646,082
		744,178	646,082
<b>Current assets</b>			
Debtors (including £189,836,000 (2019: £273,659,000) falling due after more than one year)	8	408,557	507,571
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	(329,369)	(696,844)
<b>Net current assets/(liabilities)</b>	2(iii)	79,188	(189,273)
<b>Total assets less current liabilities</b>		823,366	456,809
Creditors: amounts falling due after more than one year	10	(703,432)	(363,668)
Deferred tax liabilities	11	(8,947)	(7,950)
<b>Net assets</b>		110,987	85,191
<b>Shareholders' funds</b>			
Called up share capital	12	-	-
Other reserves	13	(51,326)	(35,153)
Profit and loss account	13	162,313	120,344
<b>Total shareholders' funds</b>		110,987	85,191

The above balance sheet should be read in conjunction with the accompanying notes on pages 13 to 29, which form an integral part of the financial statements.

The financial statements of Macquarie Meters 3 (UK) Limited, registered number 07361419 on pages 10 to 29 were authorised for issue by the Board of Directors on 29 January 2021 and were signed on its behalf by:

  
Neil Denley  
Director

29-1-21

# Macquarie Meters 3 (UK) Limited

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

	Cash flow	Called up hedging reserve <sup>1</sup>	share capital	Called up share capital	Profit and loss account <sup>2</sup>	Profit and shareholders' funds	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	(25,688)	87,863	62,175	-	-	32,481	62,175
Profit for the financial year	-	-	32,481	-	-	32,481	32,481
Other comprehensive expense, net of tax	(9,465)	-	(9,465)	-	-	-	(9,465)
Total comprehensive income	(9,465)	32,481	23,016	-	-	23,016	23,016
Balance at 31 March 2019	(35,153)	120,344	85,191	-	-	85,191	85,191
Profit for the financial year	-	41,969	41,969	-	-	41,969	41,969
Other comprehensive expense, net of tax	(16,173)	-	(16,173)	-	-	-	(16,173)
Total comprehensive income	(16,173)	41,969	25,796	-	-	25,796	25,796
Balance at 31 March 2020	(51,326)	162,313	110,987	-	-	110,987	110,987

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 13 to 29, which form an integral part of the financial statements.

<sup>1</sup>The Cash flow hedging reserve relates to derivatives or financial instruments which were previously designated as hedging instruments in qualifying hedge relationships. The reserve represents the gain or loss on a derivative or financial instrument associated with the effective portion of the hedge, which is subsequently released to the profit and loss account when the hedged item affects the profit and loss account.

<sup>2</sup>The profit and loss account represents accumulated comprehensive income for the year and prior years and transfers from the cash flow hedging reserve less dividends paid.

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# Macquarie Meters 3 (UK) Limited

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

### Note 1. Company information

Macquarie Meters 3 (UK) Limited ("the Company") provides and manages gas and electricity meters to energy suppliers. The Company's activities also include the management of receivables relating to car leasing and lending arrangements and other small ticket lease agreements.

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

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

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 19 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 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.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### i) Basis of preparation (continued)

##### Critical accounting estimates and significant judgements

The preparation of the financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company and the financial statements such as:

- 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(xvii));
- judgement in the application of hedge accounting principles, including the assessment that a forecast transaction is highly probable (Note 2(x));
- 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 (Notes 6 and 11);
- measurement and assumptions in relation to the recognition of other creditors (Note 9).

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

##### Coronavirus (COVID-19) impact

###### Background

The onset of COVID-19 resulted in the application of further judgement within identified risk areas discussed further below and given the dynamic and evolving nature of COVID-19 management keep this under regular review. 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.

###### Consideration of the impact on the financial statements and further disclosures

No key financial statement items and related disclosures have been materially impacted by COVID-19.

##### New Accounting Standards and amendments to Accounting Standards 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.

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# Macquarie Meters 3 (UK) Limited

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

### 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) Deficiency of net current assets

The Directors of the Company have prepared the financial statements on a going concern basis despite there being an excess of current liabilities over current assets at 31 March 2020 of £110,648,000 (2019: £462,932,000). The company's forecasts and projections, taking into account of reasonably possible changes in performance, show that the company will be able to meet its obligations with its current cash reserves and borrowings.

#### iv) Foreign currency translation

##### *Functional and presentation currency*

The functional currency of the Company is determined as the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

##### *Transactions and balances*

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

#### v) Revenue and expense recognition

##### *Operating lease income*

Operating lease income is recognised on a straight-line basis over the period of the lease, with any rental increases recognised in the period to which they relate. All lease rentals received but unearned under the lease agreements are recorded as deferred income in creditors on the balance sheet until earned. The income due in relation to the removal of a meter that is subject to a premature replacement charge from the supplier is accrued at the point of removal.

##### *Finance lease income*

Interest income on finance leases is recognised using the effective interest method.

##### *Other operating income/expense*

Other operating income/expense comprises other gains and losses relating to foreign exchange differences.

##### *Net interest income/expense*

Interest income and interest expense (with the exception of borrowing costs that are capitalised on a qualifying asset, which is not measured at fair value) are recognised using the effective interest rate ("EIR") method for financial assets, and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. 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.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of the EIR does not include ECL, except for financial assets which on initial recognition are classified as purchased or originated credit impaired ("POCI"). Interest income on these assets is determined using a credit adjusted EIR by discounting the estimated future cash receipts, including credit losses expected at initial recognition, through the expected life of the financial instrument to the net carrying amount of the financial asset.



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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### v) Revenue and expense recognition (continued)

##### *Net interest income/expense (continued)*

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are not classified as POCI but are subsequently classified as credit impaired (stage 3), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

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

##### *Expenses*

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

##### *Other gains/losses*

Other gains/losses comprises of other gains and losses relating to all realised and unrealised fair value changes on derivatives which are recognised in the profit and loss account.

#### vi) Turnover

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

#### vii) Dividends

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

#### viii) Taxation

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

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

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

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

Current and deferred taxes attributable to amounts recognised in other comprehensive income ("OCI") are also recognised in OCI.

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

Factors considered include the ability to offset tax losses within the tax group, 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.

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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### viii) Taxation (continued)

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

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.

#### ix) 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 and is adjusted for (in the case of instruments not classified 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 profit and loss account over the life of the transaction or when the inputs become observable. The Company applies this day 1 profit or loss policy to all financial instruments measured at fair value.

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.

##### *De-recognition of financial instruments*

###### **Financial assets**

Financial assets are derecognised from the balance sheet when:

- the rights to cash flows have expired; or
- 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.

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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### ix) Financial instruments (continued)

##### *De-recognition of financial instruments (continued)*

##### **Financial assets (continued)**

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 derecognised from the balance sheet when the Consolidated Entity'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 charges, while those arising from the derecognition of debt financial assets, that are subsequently measured at FVTPL or at FVOCI, or financial liabilities, that are subsequently measured at FVTPL, are recognised as investment income as part of other operating income and charges.

##### **Modification of financial instruments**

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial instrument that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in derecognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recorded in other income.

For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI, when the modification does not result in derecognition, a gain or loss is recognised in other income reflecting the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows, discounted at the original EIR.

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

The Company exercises judgement to determine the appropriate level at which to assess its business models and its intention with respect to 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 SPPI on the principal amount outstanding. This includes an assessment of whether cash flows primarily reflect 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.

##### **Amortised cost**

A financial asset is subsequently measured at amortised cost using the EIR method where:

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

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

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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### ix) Financial instruments (continued)

##### Fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI is subsequently 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. This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVPTL
- 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
- financial assets that fail the SPPI test (FVTPL).

Equity financial assets are measured at FVTPL.

Changes in the fair value of financial instruments held for the purpose of trading 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 expenses.

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 asset's new measurement category.

The Company does not reclassify financial liabilities after initial recognition.

##### Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading, in which case they are measured at FVTPL, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- the liability contains embedded derivatives which must otherwise be separated and carried at fair value, or
- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen.

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 current legally enforceable right to offset the amounts and either there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### x) Derivative instruments

Derivative instruments entered into by the Company include interest rate swaps. These derivative instruments are principally used by the Company for cash flow hedging on loan interest.

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(ix) Financial instruments.

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

#### Hedge accounting

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

#### Cash flow hedges

For a derivative or financial instrument designated as hedging the variability in cash flows attributable to a particular risk associated with a recognised asset or liability (or a highly probable forecast transaction), the gain or loss on the derivative or financial instrument associated with the effective portion of the hedge is initially recognised in the cash flow hedging reserve and subsequently released to the profit and loss account when the hedged item affects the profit and loss account. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the profit and loss account under net trading income.

#### xi) Loans and receivables

Loans and receivables includes loan assets held at amortised cost and amounts due from related entities, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### xii) Debtors

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

#### xiii) Tangible assets

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

Tangible assets include assets leased out under operating leases. Depreciation on all assets is calculated on a straight-line basis to allocate the difference between cost and residual values over their estimated useful lives, as follows:

Installed and uninstalled Meters: The useful lives of meters being leased under long term domestic contracts are between 10 and 20 years. The useful lives of meters being leased under domestic standard terms and conditions contracts that were being depreciated to December 2020 during the financial year are under review subsequent to the year end. The useful lives of meters being leased under contracts which include early termination clauses on Industrial and Commercial ("I&C") contracts are 10 years. The useful lives of meters being leased under standard terms and conditions on I&C contracts is 8 years.

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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### xiii) Tangible assets (continued)

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 proceeds with the asset's carrying amount and are recognised in the profit and loss account.

#### xiv) Inventory

The net book value of removed meters is classified to inventory and immediately written off to the profit and loss account due to the meters having no further economic value.

#### xv) 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.

#### xvi) 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(v) Revenue and expense recognition and Note 2(xi) Loans and receivables.

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

#### xvii) Impairment

##### Expected credit losses ("ECL")

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

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

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.

##### (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.

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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### xvii) Impairment (continued)

##### Expected credit losses (continued)

##### (iv) Purchased or originated credit-impaired financial assets

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

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

##### Presentation of loss allowances

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

- 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.

##### Impairment of tangible assets

For installed meters an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and expenses for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

#### xviii) 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 classified as operating leases.

##### Finance lease

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable.

The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the profit and loss account.

##### Operating lease

Where the Company is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over their useful lives which vary depending on each class of asset and range from 1 to 20 years (Note 2 (xiii) 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 Installed meters.

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# Macquarie Meters 3 (UK) Limited

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

### Note 2. Summary of significant accounting policies (continued)

#### xix) Called up share capital

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



# Macquarie Meters 3 (UK) Limited

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

### Note 3. Profit on ordinary activities before taxation

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

	2020 £000	2019 £000
Operating lease income	(191,026)	(158,872)
Finance lease income	(27,408)	(28,834)
Other income	(43,861)	(38,322)
<b>Turnover</b>	<b>(262,295)</b>	<b>(226,028)</b>
Foreign exchange (gains)/losses	(2)	7
Depreciation charges - tangible assets	104,755	88,833
Inventory recognised as an expense	34,718	30,017
Credit impairment charges		
Debtors	11,465	5,340
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	145	137

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

### Note 4. Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable from other Macquarie Group undertakings	14,491	10,938
Interest receivable from unrelated parties	13,533	5,260
<b>Total interest receivable and similar income</b>	<b>28,024</b>	<b>16,198</b>

### Note 5. Interest payable and similar expense

	2020 £000	2019 £000
Interest payable to other Macquarie Group undertakings	57,350	42,497
Interest payable to unrelated parties	-	2,370
<b>Total interest payable and similar expense</b>	<b>57,350</b>	<b>44,867</b>

### Note 6. Taxation

i) Tax expense included in profit:

	2020 £000	2019 £000
<b>Current tax</b>		
UK corporation tax at 19% (2019: 19%)	6,194	3,877
Adjustment in respect of previous periods	(63)	39
<b>Total current tax</b>	<b>6,131</b>	<b>3,916</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	4,059	3,659
Adjustment in respect of previous periods	(6)	11
Effect of changes in tax rates	1,783	(383)
<b>Total deferred tax</b>	<b>5,836</b>	<b>3,287</b>
<b>Tax on profit on ordinary activities</b>	<b>11,967</b>	<b>7,203</b>

# Macquarie Meters 3 (UK) Limited

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

### Note 6. Taxation (continued)

#### ii) Reconciliation of effective tax rate

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

	2020 £000	2019 £000
<b>Profit before taxation</b>	<b>53,936</b>	<b>39,684</b>
Current tax charge at 19% (2019 19%)	10,248	7,540
Effect of:		
Adjustment in respect of previous periods	(69)	50
Non deductible expenses	5	-
Other assessable income	-	(4)
Effect of rate change	1,783	(383)
<b>Total tax on profit on ordinary activities</b>	<b>11,967</b>	<b>7,203</b>

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 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%. Deferred tax has been measured at 19%.

#### iii) Tax benefit relating to items of other comprehensive income

	2020 £000	2019 £000
Deferred tax arising in other comprehensive income	(3,993)	(2,167)
Rate change in other comprehensive income	(847)	228
<b>Total tax benefit relating to items of other comprehensive income</b>	<b>(4,840)</b>	<b>(1,939)</b>

### Note 7. Tangible assets

	Installed Meters £000	Uninstalled Meters £000	Total £000
<b>Cost</b>			
At 1 April 2019	834,262	65,447	899,709
Additions	160,007	66,133	226,140
Installations	66,781	(66,781)	-
Transfer to inventory	(28,619)	(11,375)	(39,994)
At 31 March 2020	<b>1,032,431</b>	<b>53,424</b>	<b>1,085,855</b>
<b>Accumulated depreciation</b>			
At 1 April 2019	248,547	5,080	253,627
Installations	992	(992)	-
Charge for the year	100,296	4,459	104,755
Transfer to inventory	(15,304)	(1,401)	(16,705)
At 31 March 2020	<b>334,531</b>	<b>7,146</b>	<b>341,677</b>
<b>Carrying value</b>			
At 31 March 2020	<b>697,900</b>	<b>46,278</b>	<b>744,178</b>
At 31 March 2019	585,715	60,367	646,082

Assets with a cost of £1,085,855,000 (31 March 2019: £899,709,000) and a net book value of £744,178,000 (31 March 2019: £646,082,000) are held for use in operating lease arrangements. The future minimum lease payments under these leases is deemed to be one day's rental due to the ability of individual households, where the meters are located, to churn to a different energy supplier.

The majority of the above amounts have expected useful lives longer than 12 months after the balance date.

# Macquarie Meters 3 (UK) Limited

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

### Note 8. Debtors

	2020	2019
	£000	£000
<b>Due within one year:</b>		
Trade debtors	31,718	27,326
Net investment in finance leases	134,721	154,960
Loans and advances	14,994	16,378
Income tax receivables	8,892	998
Amounts owed by other Macquarie Group undertakings	534	1,446
Prepayments and accrued income	27,862	32,804
<b>Total debtors due within one year</b>	<b>218,721</b>	<b>233,912</b>
<b>Due after one year:</b>		
Net investment in finance leases	178,706	257,640
Loans and advances	11,130	16,019
<b>Total debtors due after more than one year</b>	<b>189,836</b>	<b>273,659</b>

Amounts owed by 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 was LIBOR plus 1.13% (2019: LIBOR plus 1.46%).

Loans and advances comprising of a portfolio of receivables purchased from Car Benefit Car Schemes Limited ("CBCS"). This includes (i) the rights, interest and benefit in underlying credit sale agreements entered into between CBCS and employees for the purchase of vehicles; (ii) the right to take title in any vehicles put back to CBCS by an employee (in exchange for the employee's obligation to pay the final capital payment); and (iii) the right under the ECOS Agreement to put such vehicles onto the sponsor (employer) for an amount equal to the final capital payment. The collateral held against the receivable is 100% of the outstanding balance due to irrevocable and unconditional put option provided by the employer (under the ECOS Agreement).

At the reporting date, amounts owed by other Macquarie Group undertakings has ECL allowance of £268 (2019: £2,310) which is net presented against the gross carrying amount.

#### Finance lease receivables

Assets which have contractual arrangements which transfer to the lessee the risks and rewards of ownership are treated as finance lease.

	2020			2019		
	Gross investment in finance lease receivables £000	Unearned interest income £000	Present value of minimum lease payment receivable £000	Gross investment in finance lease receivables £000	Unearned interest income £000	Present value of minimum lease payment receivable £000
Not later than one year	£154,935	(£20,214)	£134,721	178,712	(23,752)	154,960
Later than one year and no later than five years	£195,625	(£19,499)	£176,126	280,444	(31,699)	248,745
Later than five years	£2,711	(£131)	£2,580	9,354	(459)	8,895
<b>Total finance lease receivables</b>	<b>£353,271</b>	<b>(£39,844)</b>	<b>£313,427</b>	<b>468,510</b>	<b>(55,910)</b>	<b>412,600</b>

Rentals receivable during the year under finance leases amounted to £174,993,000 (2019: £160,104,000).

The cost of assets acquired during the year for onwards finance leasing was £146,492,000 (2019: £169,849,000).

# Macquarie Meters 3 (UK) Limited

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

### Note 9. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Derivative financial instruments	12,273	8,709
Amounts owed to other Macquarie Group undertakings	316,788	687,488
Accruals	199	629
Other creditors	109	18
<b>Total creditors: amounts falling due within one year</b>	<b>329,369</b>	<b>696,844</b>

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 between LIBOR plus 0.04% and LIBOR plus 2.223% (2019: LIBOR plus 1.31% and LIBOR plus 2.303%). Macquarie Meters 3 (UK) Limited has entered into interest rate hedges between 1.1155% and 2.165% (2019: between 0.623% and 2.165%).

### Note 10. Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Amounts owed to other Macquarie Group undertakings	633,015	318,505
Derivative financial instruments	70,417	45,163
<b>Total creditors: amounts falling due after more than one year</b>	<b>703,432</b>	<b>363,668</b>

Amounts owed to other Macquarie Group undertakings are unsecured. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2020 the rate applied was between LIBOR plus 0.054% and LIBOR plus 3.60% (2019: LIBOR plus 1.64% and LIBOR plus 2.303%). Macquarie Meters 3 (UK) Limited has entered into interest rate hedges between 1.1155% and 2.165% (2019: between 0.623% and 2.165%).

### Note 11. Deferred tax assets/liabilities

The balance comprises temporary differences attributable to:

	2020 £000	2019 £000
<b>Deferred tax assets</b>		
IFRS 9 transitional adjustment through equity	311	313
Financial instruments and revaluations	3,467	1,780
Tax effect of reserves	12,039	7,200
<b>Total deferred tax assets</b>	<b>15,817</b>	<b>9,293</b>
<b>Deferred tax liabilities</b>		
Accelerated capital allowances	(24,764)	(17,243)
<b>Total deferred tax liabilities</b>	<b>(24,764)</b>	<b>(17,243)</b>
<b>Deferred tax</b>	<b>(8,947)</b>	<b>(7,950)</b>

### Reconciliation of the Company's movement in deferred tax

	2020 £000	2019 £000
<b>Reconciliation of the Company's movement in deferred tax assets:</b>		
Balance at the beginning of the financial year	9,293	6,135
Temporary differences:		
Deferred tax charged to profit and loss account for the year	1,438	978
Effect of changes in tax rates	246	(107)
Rate change in other comprehensive income	847	(228)
IFRS 9 Transitional adjustment through equity	-	348
Deferred tax charged to other comprehensive income	3,993	2,167
<b>Balance at the end of the financial year</b>	<b>15,817</b>	<b>9,293</b>

# Macquarie Meters 3 (UK) Limited

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

### Note 11. Deferred tax assets/liabilities (continued)

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

	2020 £000	2019 £000
<b>Reconciliation of the Company's movement in deferred tax liabilities:</b>		
Balance at the beginning of the financial year	(17,243)	(13,085)
Timing differences:		
Amounts credited to the profit and loss account	(5,498)	(4,637)
Effect of changes in tax rates	(2,029)	490
Adjustment in respect of previous periods	6	(11)
<b>Balance at the end of the financial year</b>	<b>(24,764)</b>	<b>(17,243)</b>

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

### Note 12. Called up share capital

	2020 Number	2019 Number	2020 £	2019 £
<b>Called up share capital</b>				
Opening balance of fully paid ordinary shares at £1 per share	1	1	1	1
<b>Closing balance of fully paid ordinary shares at £1 per share</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

### Note 13. Other reserves and profit and loss account

	2020 £000	2019 £000
<b>Cash flow hedging reserve</b>		
Balance at the beginning of the financial year	(35,153)	(25,688)
Movement for the financial year, net of tax	(16,173)	(9,465)
<b>Balance at the end of the financial year</b>	<b>(51,326)</b>	<b>(35,153)</b>
<b>Profit and loss account</b>		
Balance at the beginning of the financial year	120,344	87,863
Profit for the financial year	41,969	32,481
<b>Balance at the end of the financial year</b>	<b>162,313</b>	<b>120,344</b>

### Note 14. Capital management strategy

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

The Company's capital management objectives are to:

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

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

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# Macquarie Meters 3 (UK) Limited

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

### Note 15. 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 are 100% controlled by the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 19.

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 16. 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.

### Note 17. Contingent liabilities and commitments

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

### Note 18. Derivative financial instruments

#### Objectives of holding derivative financial instruments

The Company uses derivatives for asset and liability management. Certain derivative transactions may qualify as cash flow hedges, if they meet the appropriate strict hedge criteria outlined in note 2(x) – Hedge accounting.

Cash flow hedges: The Company is exposed to volatility in future interest cash flows arising from floating rate issued debt used to fund fixed rate asset positions. The aggregate principal balances and interest cash flows across these portfolios form the basis for identifying the non-trading interest rate risk of the Company, which is hedged with interest rate swaps.

At 31 March 2020, the fair value of outstanding derivatives held by the Company and designated as cash flow hedges was £65,934,000 (2019: £44,390,000).

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

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

### Note 19. Ultimate parent undertaking

At 31 March 2020, the immediate parent undertaking of the Company is Macquarie Bank Limited.

The ultimate parent undertaking and controlling party of the Company, is Macquarie Group Limited. 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 20. Events after the reporting date

There were no material events subsequent to 31 March 2020 and up until the authorisation of the financial statements for issue, that have not been reflected in the financial statements.