Macquarie Infrastructure and Real Assets Core Limited

COMPANY NUMBER 10640222

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

MACQUARIE

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

Macquarie Infrastructure and Real Assets Core Limited

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

In accordance with a resolution of the Directors (the "Directors") of Macquarie Infrastructure and Real Assets Core Limited (the "Company"), the Directors submit herewith the audited financial statements of the Company and report as follows:

As the Company meets the qualifying conditions under section 382 of the Companies Act 2006 (the "Act"), the Directors' have taken advantage of the exemption provided in sections 414B (as incorporated into the Act by the Strategic Report and Directors' Report Regulations 2013) for the preparation of a Strategic Report.

Principal activities
The principal activities of the Company during the financial year ended 31 March 2019 was to act as a holding company.

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

Mark Braithwaite	(appointed 8 March 2019 and resigned 30 August 2019)
Holly Coleman	(appointed 30 August 2019)
Mark Cruikshank	(resigned 8 March 2019)
James Dyckhoff	
Leigh Harrison	(resigned 30 August 2019)
Philip Hogan	(resigned 30 August 2019)
Anita Huynh	(appointed 30 August 2019)
Martin Stanley	(resigned 27 November 2018)
James Kimber	(appointed 19 December 2019)

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

Danielle Shoemark

Results
The profit for the financial period ended 31 March 2019 was £2,264,835 (2018: £230,747).

Dividends paid or provided for
No dividends were paid or provided for during the current financial year (2018: £nil). No final dividend has been proposed.

State of affairs
On 21 March 2018, the Board of Directors approved the incorporation of Stezzano 1 S.r.l.

On 18 May 2018, the Company sold 50% of its held for sale investment in Elton Ventures S.à r.l. for a gain of €364,881. In addition, on 3 July, the Company sold the remaining interest in Elton Ventures S.à r.l. for a gain of €801,508.

On 28 June 2018, the Company sold its investment in subsidiary, MIRA Core Gas Limited, including settlement of the outstanding loan asset, for a gain of £3.1m. The gain comprises of total funds received of £10.5m less the difference between the selling price and the carrying value of the investment of £6.9m.

There were no other 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.

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

Events after the reporting period
On 1 August 2019, the Company made an investment of 10,000 EUR in its subsidiary, Stezzano 1 S.r.l.

On 2 September 2019, the Board of Directors approved the incorporation of a wholly owned Jersey-incorporated subsidiary company, MGREF 2 Ali Gym Holdings Limited.

On 23 October 2019, the Board of Directors approved a shareholder loan of £43,368,000 between the Company and MGREF 2 Ali Gym Investments Limited, a subsidiary of MGREF 2 Ali Gym Holdings Limited.

On 23 October 2019, the Board of Directors approved the subscription of 499 ordinary shares in the capital of MGREF Ali Gym Holdings Limited with a nominal value of £1 at a premium of £40,031,501 and with an aggregate value of £40,032,000.

On 8 November 2019, the Company sold all the shares in its wholly owned subsidiary, Stezzano 1 S.r.l.

On 19 December 2019, the Company approved entry into a share purchase agreement for the sale of the entire share capital of its wholly owned subsidiary, MGREF 2 Ali Gym Holdings Limited.

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

Likely developments, business strategies and prospects
The Directors believe that no significant changes are expected other than those already disclosed in this report.

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

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

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

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

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

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

Statement of Directors' responsibilities (continued)

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

Disclosure of information to auditors

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

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

Independent auditors

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

On behalf of the Board

Director
23 December 2019
Anita Huynh

Independent Auditors' report to the members of Macquarie Infrastructure and Real Assets Core Limited

Report on the financial statements

Opinion

In our opinion, Macquarie Infrastructure and Real Assets Core Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent Auditors' report to the members of Macquarie Infrastructure and Real Assets Core Limited (continued)

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 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.

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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.

Independent Auditors' report to the members of Macquarie Infrastructure and Real Assets Core Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Peter Venables

Pete Venables (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 December 2019

Macquarie Infrastructure and Real Assets Core Limited

Financial Statements

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

	Note	2019 [1] £	For the period 27 February 2017 to 31 March 2018 Restated £
Turnover	3	**10,490,530**	-
Administrative expenses	3	**(33,034)**	(14,619)
Operating profit/(loss)		**10,457,496**	(14,619)
Interest receivable and similar income	4	**733,961**	326,170[2]
Interest payable and similar expenses	5	**(1,746,653)**	(26,677)
Other losses	3	**(6,647,374)**	-
Profit before taxation	3	**2,797,430**	284,873
Tax on profit on ordinary activities	6	**(532,595)**	(54,126)[2]
Profit for the financial year/period	11	**2,264,835**	230,747

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

[1]The March 2019 financial results reflect the adoption of IFRS 9 - Financial Instruments ("IFRS 9") and IFRS 15 - Revenue from contracts with customers ("IFRS 15") on 1 April 2018. The effect of the adoption of these standards is explained in Note 2.

[2]The comparative figures have been restated for 2018, please refer to Note 4 for further details.

Turnover and profit before taxation relate wholly to continuing operations.

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

Macquarie Infrastructure and Real Assets Core Limited

Balance sheet
as at 31 March 2019

	Note	2019 [1] £	2018 Restated £
Current assets			
Assets classified as held for sale	7	-	196,680,842
Debtors	8	3,084,103	216,886 [2]
Current liabilities			
Creditors: amounts falling due within one year	9	(588,421)	(196,666,881) [2]
Net current assets		2,495,682	230,847
Total assets less current liabilities		2,495,682	230,847
Net assets		2,495,682	230,847
Capital and reserves			
Called up share capital	10	100	100
Profit and loss account	11	2,495,582	230,747 [2]
Total shareholders' funds		2,495,682	230,847

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

[1]The March 2019 financial results reflect the adoption of IFRS 9 - Financial Instruments ("IFRS 9") on 1 April 2018. The effect of the adoption of these standards is explained in Note 2.

[2]The comparative figures have been restated for 2018, please refer to Note 4 for further details.

The financial statements on pages 8 to 21 were authorised for issue by the Board of Dirctors on 19 December 2019 and were signed on its behalf by:

Director

Anita Huynh

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

	Note	Called up share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 27 February 2017		-	-	-
Profit for the financial year - Restated[1]	11	-	230,747	230,747
Total comprehensive income		-	230,747	230,747
Transactions with equity holders in their capacity as ordinary equity holders:				
Issue of ordinary shares	10	100	-	100
Balance at 31 March 2018		100	230,747	230,847
Profit for the financial year	11	-	2,264,835	2,264,835
Total comprehensive income		-	2,264,835	2,264,835
Balance at 31 March 2019		100	2,495,582	2,495,682

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

[1]The comparative figures have been restated for 2018, please refer to Note 4 for further details.

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

Note 1. Company information

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

Note 2. Summary of significant accounting policies

i) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the 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.

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

In accordance with FRS 101 the Company has availed of an exemption from the following requirements 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:
  - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures).
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Critical accounting estimates and significant judgements

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

- judgement in determining the appropriate business model for a group of financial assets and assessing whether the cash flows generated by an asset constitute solely payment of principal and interest (SPPI);
- judgement in measurement of Expected Credit Loss (ECL) including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecasts of economic conditions
- judgement in timing and amount of credit impairment of financial investments, interests in associates and joint ventures, loan assets, investment in subsidiaries and assets under operating lease
- judgement in determination of control of subsidiaries and structured entities;
- judgement in determination of significant influence over associates and joint control over joint ventures;

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

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Critical accounting estimates and significant judgements (continued)

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

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

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

IFRS 9 *Financial Instruments*

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

Transition:
Financial assets which were classified as amortised cost under IAS 39 were determined to be held within a business model in which such assets are managed on a fair value basis. The financial assets were accordingly reclassified to FVTPL on adoption of IFRS 9. The transition adjustment had a nil impact on the Company's shareholder fund.

The Company has not restated its comparative financial statements.

Following the adoption of IFRS 9, the following classification changes arose:

(1) Loan assets of £22,159,283 previously classified as 'Amortised cost' were re-classified as fair value through profit or loss.
(2) Convertible bonds of £48,085,639 previously classified as 'Amortised cost' were re-classified as fair value through profit or loss.

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

IFRS 15 *Revenue from Contracts with Customers*

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

ii) Going concern

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

iii) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

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

Note 2. Summary of significant accounting policies (continued)

iii) Foreign currency translations (continued)

Transactions and balances

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

iv) Revenue and expense recognition

Net interest income/(expenses)

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

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 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 or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest income on financial assets that are not classified as POCI but are subsequently classified as credit-impaired, is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

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

Prior to the adoption of IFRS 9, interest income on financial assets that were measured at amortised cost (being loans and receivables and held to maturity financial assets) or classified as available for sale, was recognised in accordance with the EIR method. There was no specified accounting treatment under IAS 39 for financial assets that are now classified as POCI. These assets were accounted for on a consistent basis as other financial assets that were measured at amortised cost.

Other operating income/(expenses)

Other operating income/(expenses) comprises net trading income, impairment losses/ reversal of impairment losses on financial assets and gains and losses arising from subsequent changes in the fair values of equity investment securities, debt investment securities at fair value through profit or loss.

Net trading income comprises gains and losses related to trading assets/liabilities, dividends and foreign exchange differences.

Gain or loss on change of control, joint control and/or significant influence and reclassifications to/from held for sale also forms part of other operating income/(expense).

Expenses

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

v) Turnover

Turnover consists of dividends from UK companies. Interim dividends are recognised when the dividend proceeds are received by the Company. Final dividends from investments in UK companies and dividends from investments in overseas companies are recognised when the Company becomes entitled to the dividend.

vi) Taxation

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

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

Note 2. Summary of significant accounting policies (continued)

vii) Financial instruments

Recognition of Financial Instruments

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

A financial instrument is initially recognised at fair value adjusted for (in the case of instruments not carried at FVTPL) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument.

De-recognition of financial instruments

Financial assets

Financial assets are de-recognised from the balance sheet when:

- the rights to cash flows have expired
- the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

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

Financial liabilities

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

Gains and losses on the derecognition of non-trading related financial assets and liabilities are recognised as other income or expense disclosed as part of other operating income and expenses.

Classification and subsequent remeasurement

Financial assets

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

Business model assessment

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

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

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

Solely payment of principal and interest (SPPI)

Key considerations for the SPPI assessment include the timing of the contractual cash flows and the interest component, where interest primarily reflects the time value of money and the credit risk of the principal outstanding.

Amortised Cost

A financial asset is subsequently measured at amortised cost using the EIR method if the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
(iii) the financial asset has not been designated to be measured at FVTPL (DFVTPL).

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

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

vii) Financial instruments (continued)

Amortised Cost (continued)

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

Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria to be measured at amortised cost are measured at FVTPL, with all changes in fair value recognised as part of other operating income and expenses in the profit and loss account.
For the purposes of the Company's financial statements, the FVTPL classification consists of the following:
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows or financial assets that fail the SPPI test (FVTPL).

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

The interest component of financial assets that are classified as HFT, DFVTPL and FVTPL are recognised in interest income.
Equity financial assets are measured at FVTPL

Reclassification of financial instruments

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

The Company does not reclassify financial liabilities after initial recognition.

Prior to the adoption of IFRS 9, the Company's financial assets were classified into the following categories:
- Loans and receivables: being receivables and amounts due from subsidiaries that were non-derivative financial assets with fixed or determinable payments and that were not quoted in an active market. The measurement and recognition of gains and losses of such assets aligns with that for financial assets classified as at amortised cost in terms of IFRS 9

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading purposes, in which case they are classified as HFT, or have been designated to be measured at FVTPL (DFVTPL).

Gains and losses arising from the derecognition of financial liabilities that are subsequently measured on an amortised cost basis are recognised in other income as part of other operating income and expenses.

Offsetting of financial instruments

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

viii) Investments

Investment in subsidiaries

Subsidiaries are all those entities (including structured entities) over which the Company has the power to direct the relevant activities of the entity, exposure to significant variable returns and the ability to utilise power to affect the Company's own returns. The determination of control is based on current facts and circumstances and is continuously assessed.

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

Note 2. Summary of significant accounting policies (continued)

viii) Investments (continued)

Investment in subsidiaries (continued)

The Company has power over an entity when it has existing substantive rights that give it the current ability to direct the entity's relevant activities. Relevant activities are those activities that significantly affect the entity's returns. The Company evaluates whether it has the power to direct the relevant activities. The Company also considers the entity's purpose and design. If the Company determines that it has power over an entity, the Company then evaluates whether it has exposure or rights to variable returns that, in aggregate, are significant. All variable returns are considered including, but not limited to, debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts.

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

Interest in associates and joint ventures

Associates and joint ventures are entities, over which the Company has significant influence or joint control, but not control, are carried at cost in accordance with IAS 27 Separate Financial Statements.

The Company determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence or jointly control the financial and operating policies of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required to complete. The acquisition/disposal date does not necessarily occur when the transaction is closed or finalised under law.

ix) Loan assets

This category includes loans and receivables that are not held for trading purposes and typically includes the Company's lending activities to its customers. Loan assets are initially recognised at fair value adjusted for directly attributable transaction costs on settlement date. Loan assets are subsequently measured in accordance with the Company's accounting policy for financial instruments. Loan assets are subject to regular review and assessment for possible impairment.

x) Due to/from related entities

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

xi) Assets classified as held for sale

This category includes interests in businesses, subsidiaries, associates and joint ventures and other assets and liabilities, for which their carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use. These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and it is highly probable that it will be sold or distributed within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Company retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities are classified as held for sale.

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

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

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

Note 2. Summary of significant accounting policies (continued)

xii) Impairment

Expected credit losses ("ECL")

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

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

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

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

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

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

(iv) Purchased or originated credit-impaired financial assets
Purchased or originated credit-impaired (POCI) financial assets are initially recognised at fair value with interest income subsequently determined using a credit-adjusted EIR. The credit-adjusted EIR is the EIR adjusted for expected credit losses on initial recognition. The ECL is measured as the product of the lifetime PD, LGD and EAD adjusted for FLI or by discounting the difference between the contractual and expected cash flows from the individual exposure using the credit-adjusted EIR, with increases and decreases in the measured ECL from the date of origination or purchase being recognised in profit and loss account as either an impairment gain or loss.

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.

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

Note 2. Summary of significant accounting policies (continued)

xii) Impairment (continued)

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 interests in associates and joint ventures

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

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

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

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

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

Impairment of investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount, being the higher of fair value less costs to sell and value in use. At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of impairment.

xiii) 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.

xiv) Comparatives

The comparative balance sheet and profit and loss have been restated to include interest receivable on convertible bonds, please see Note 4 for further details.

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

	2019 £	For the period 27 February 2017 to 31 March 2018 £

Note 3. Profit before taxation

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

	2019 £	For the period 27 February 2017 to 31 March 2018 £
Turnover by category:		
Dividend income	10,490,530	-
Total turnover	10,490,530	-
Services from other Macquarie Group undertakings	(10,182)	-
Net loss on sale of subsidiary	(6,952,962)	-
Other operating expenses	(7,504)	-
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company	(15,350)	(14,619)

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

Note 4. Interest receivable and similar income

	2019 £	For the period 27 February 2017 to 31 March 2018 £
Interest receivable from other Macquarie Group undertakings	225,433	109,284
Interest receivable from unrelated parties	508,528	216,886[1]
Total interest receivable and similar income	733,961	326,170

[1]During 2018, a portion of interest income related to the convertible bonds sold during 2019, was not recognized as a result of a cut-off issue. The financial statements have been restated to reflect this portion and to ensure correct presentation of comparative figures. This has led to an increase in the comparative 2018 figures for interest receivable of £216,886 and tax on profit on ordinary activities of £41,208 in the profit and loss account, as well as an increase of £216,886 to debtors in the balance sheet. The total after tax profit and loss account impact of this adjustment is £175,678.

Note 5. Interest payable and similar expenses

	2019 £	For the period 27 February 2017 to 31 March 2018 £
Interest payable to other Macquarie Group undertakings	(1,746,653)	(26,677)
Total interest payable and similar charges	(1,746,653)	(26,677)

Note 6. Tax on profit

(i) Tax charge included in profit

	2019 £	For the period 27 February 2017 to 31 March 2018 £
Current tax		
UK corporation tax at 19%	(532,595)	(54,126)[1]
Total current tax	(532,595)	(54,126)

(ii) Reconciliation of effective tax rate

The income tax charge for the period is equal to the standard rate of corporation tax in the UK of 19%.

	2019 £	For the period 27 February 2017 to 31 March 2018 £
Profit before taxation	2,797,430	284,873[1]
Profit on ordinary activities before taxation multiplied by the standard rate	(531,512)	(54,126)[1]
Effect of –		
Non taxable income	(1,083)	-
Total tax charge	(532,595)	(54,126)

[1]The comparative figures have been restated for 2018, please refer to Note 4 for further details.

The UK Government have enacted a reduction in the main rate of corporation tax from 20% to 19% with effect from 1 April 2017, and a further reduction to 17% from 1 April 2020.

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

	2019 % Ownership %	2019 £	For the period 27 February 2017 to 31 March 2018 £
Note 7. Assets classified as held for sale			
Investment in subsidiaries[1]	-	-	124,950,100
Investment in joint venture[2]	-	-	1,485,820
Investment in convertible bonds[3]	-	-	48,085,639
Loan assets at amortised costs[4]	-	-	22,159,283
Total assets classified as held for sale		-	196,680,842

[2, 3] On 18 May 2018, the Company sold 50% of its held for sale investment in Elton Ventures S.à r.l. for a gain of €364,881. In addition, on 3 July, the Company sold the remaining interest in Elton Ventures S.à r.l. for a gain of €801,508.

[1, 4] On 28 June 2018, the Company sold its investment in subsidiary, MIRA Core Gas Limited, including settlement of the outstanding loan asset, for a gain of £3.1m. The gain comprises of total funds received of £10.5m less the difference between the selling price and the carrying value of the investment of £6.9m.

Note 8. Debtors

Amounts owed by Macquarie Group undertakings[1]	3,084,103	-
Other debtors	-	216,886[2]
Total debtors	3,084,103	216,886

[1] Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 1.93%.

[2] The comparative figures have been restated for 2018, please refer to Note 4 for further details.

Note 9. Creditors: amounts falling due within one year

Amounts owed to other Macquarie Group undertakings[1]	-	196,612,755
Taxation	573,802	54,126[2]
Accrued charges	14,619	-
Total creditors: amounts falling due within one year/period	588,421	196,666,881

[1] Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2019 the rate applied was LIBOR plus 2.41% (2018: LIBOR plus 2.73%).

[2] The comparative figures have been restated for 2018, please refer to Note 4 for further details.

Note 10. Called up share capital

	2019 Number of shares	2018 Number of shares	2019 £	2018 £
Called up share capital				
Opening balance of fully paid ordinary shares at £1 per share	100	100	100	100
Closing balance of fully paid ordinary shares at £1 per share	100	100	100	100

Note 11. Profit and loss account

Profit and loss account		
Balance at the beginning of the period	230,747[1]	-
Profit for the financial year	2,264,835	230,747[1]
Balance at the end of the year/period	2,495,582	230,747

[1] The comparative figures have been restated for 2018, please refer to Note 4 for further details.

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

Note 12. Related party information

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

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

Note 13. Directors' remuneration

During the financial years ended 31 March 2019 and 31 March 2018, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be meaningful. Accordingly, no separate remuneration has been disclosed apart from where stated above.

Note 14. Contingent liabilities and commitments

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

Note 15. Ultimate parent undertaking

As at 31 March 2019, the immediate parent undertaking of the Company is Macquarie Infrastructure and Real Assets Investments Limited.

The ultimate parent undertaking and controlling party of the Company is MGL. The largest group to consolidate these financial statements is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements is Macquarie Corporate Holdings Pty Limited ("MCHPL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MCHPL can be obtained from the Company Secretary, Level 6, No. 50 Martin Place, Sydney, New South Wales, 2000, Australia.

Note 16. Events after the reporting period

On 1 August 2019, the Company made an investment of 10,000 EUR in its subsidiary, Stezzano 1 S.r.l.

On 2 September 2019, the Board of Directors approved the incorporation of a wholly owned Jersey-incorporated subsidiary company, MGREF 2 Ali Gym Holdings Limited.

On 23 October 2019, the Board of Directors approved a shareholder loan of £43,368,000 between the Company and MGREF 2 Ali Gym Investments Limited, a subsidiary of MGREF 2 Ali Gym Holdings Limited.

On 23 October 2019, the Board of Directors approved the subscription of 499 ordinary shares in the capital of MGREF Ali Gym Holdings Limited with a nominal value of £1 at a premium of £40,031,501 and with an aggregate value of £40,032,000.

On 8 November 2019, the Company sold all the shares in its wholly owned subsidiary, Stezzano 1 S.r.l.

On 19 December 2019, the Company approved entry into a share purchase agreement for the sale of the entire share capital of its wholly owned subsidiary, MGREF 2 Ali Gym Holdings Limited.

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