

MACQUARIE INTERNATIONAL LIMITED

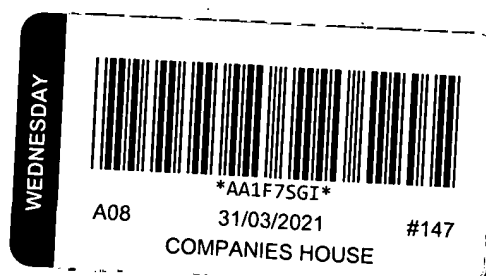
COMPANY NUMBER 01802574

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



2020 Directors' Report and Financial Statements

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Macquarie International Limited

Company Number 01802574

Directors' Report for the financial year ended 31 March 2020

In accordance with a resolution of the directors (the "Directors") of Macquarie International 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.

Directors and Secretaries

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

A Nottingham

R Thompson

J Walker

I Yeung Kwong Wai

(resigned 28 February 2020)

(appointed 06 March 2020)

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

H Everitt

Principal activities

The Company is wholly owned by Macquarie Corporate International Holdings Pty Limited, a company incorporated in Australia.

The principal activity of the Company during the financial year ended 31 March 2020 was to facilitate employment agreements for entities based in Asia and the United Kingdom that are within the Macquarie Group.

The Company has a Hong Kong branch whose principal activity during the financial year was to facilitate employment and secondment agreements amongst various Hong Kong entities within the Macquarie Group.

Results

The profit for the financial year ended 31 March 2020 was £1,096,132 (2019: £1,326,231).

The Hong Kong branch contributed a loss of £4,274,567 and an overall profit before taxation of £720,219. In the prior year the contribution was a profit of £937,151 from the Hong Kong branch and an overall profit before taxation of £981,636.

Dividends

No dividends were paid or provided for during the current financial year (2019: nil). No final dividend has been proposed.

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.

Directors' Report

for the financial year ended 31 March 2020 (continued)

Review of operations

The profit for the financial year ended 31 March 2020 was £1,096,132 a decrease of 17 per cent from the profit of £1,326,231 in the previous financial year.

Operating profit for the financial year ended 31 March 2020 was £136,238 a decrease of 52 per cent from the operating profit of £284,825 in the previous financial year.

Total administrative expenses for the financial year ended 31 March 2020 were £3,017,008, a decrease of 25 per cent from £4,041,349 in the previous financial year.

As at 31 March 2020, the Company had net assets of £26,043,358 (2019: £24,673,269).

Events after the reporting date

After the reporting period, the Company's principal activity changed from facilitating employment and secondment agreements to acting as an investment holding company. This change was a result of an intra-group reorganisation to transfer the Macquarie Asset Management ("MAM") business under a separate holdings structure in the Macquarie Group. The shares in the Company were transferred from Macquarie Corporate International Holdings Pty Limited ("MCIHPL") to Macquarie Asset Management UK Holdings Pty Limited ("MAMUKH") and additional capital was injected in the Company to facilitate the intra-group acquisition of other MAM subsidiaries.

The Company made additional investments in the following after the reporting date:

- Macquarie Infrastructure and Real Assets Investments Limited of £551,731,668;
- MEIF (UK) Limited of £100;
- MPF Nominees Limited of £1.00;
- Peel Logistics General Partner Limited of £3,813.
- Peel Logistics Limited Partnership of £5,387,188;
- Peel Logistics Management Limited of £2,974,759; and
- UK Green Investment Climate International Limited of £8,000,001.

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

Likely developments, business strategies and prospects

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 the Risk Management Group ("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.

Directors' Report

for the financial year ended 31 March 2020 (continued)

Likely developments, business strategies and prospects (continued)

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

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

During 2018, Macquarie International 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"), 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.

Brexit

On 29 March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU (known as "Brexit"). The UK government and the EU Commission subsequently agreed an Article 50 Withdrawal Agreement, pursuant to which a transition period commenced which will last until 31 December 2020. 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 Directors believe that no other 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.

Directors' Report

for the financial year ended 31 March 2020 (continued)

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' 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.

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

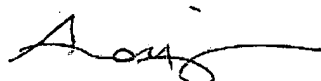
In the case of each Director in office at the date the Directors' Report is approved:

- 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 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,



Abigail Nottingham
Director
29 March 2021

Independent auditors' Report to the members of Macquarie International Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 2020; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Independent auditors' Report to the members of Macquarie International 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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Independent auditors' Report to the members of Macquarie International Limited (continued)

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.



Martin Cross (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 March 2021

Macquarie International Limited

Financial Statements

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

	Note	2020 £	2019 Restated ¹ £
Turnover	2(iv)	3,218,691	4,315,580
Administrative expenses	3	(3,071,008)	(4,041,349)
Other operating (expenses)/income	3	(11,445)	10,208
Operating profit		136,238	284,439
Interest receivable and similar income	5	889,330	1,112,712
Interest payable and similar expenses	6	(108,546)	(67,496)
Profit on ordinary activities before taxation	3	917,022	1,329,655
Tax on profit	7	179,110	(3,810)
Profit for the financial year		1,096,132	1,325,845

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

¹The comparative figures of Turnover with associated tax impact have been restated for 2019. Refer Note 2(xiii).

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

Macquarie International Limited

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

	Note	2020 £	2019 Restated ¹ £
Profit after tax for the financial year		1,096,132	1,325,845
Other comprehensive income:			
Movements in items that may be subsequently reclassified to the profit and loss account:			
Exchange differences on translation of foreign operations, net of tax	12	423,683	804,639
Total other comprehensive income		423,683	804,639
Total comprehensive income		1,519,815	2,130,484

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

¹The comparative figures of Profit after tax have been restated for 2019. Refer Note 2(xiii).

Macquarie International Limited

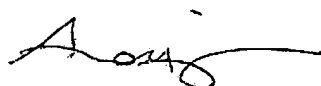
Balance sheet as at 31 March 2020

		2020	2019
	Note	£	Restated ¹ £
Current assets			
Deferred tax assets	7	1,647,196	4,784,620
Debtors	8	30,956,512	42,580,625
Current liabilities			
Creditors: amounts falling due within one year	9	(241,199)	(4,582,620)
Net current assets		32,362,509	42,782,625
Total assets less current liabilities		32,362,509	42,782,625
Provisions for liabilities	10	(6,319,151)	(18,109,356)
Net assets		26,043,358	24,673,269
Shareholders' funds			
Called up share capital	11	2,500,000	2,500,000
Equity contribution from ultimate parent	11	13,153,881	13,303,608
Other reserves	12	5,729,905	5,306,222
Profit and loss account	12	4,659,572	3,563,439
Total shareholders' funds		26,043,358	24,673,269

¹The comparative figures for Debtors and Profit and loss account have been restated for 2019, refer to Note 2(xiii) for further details.

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

The financial statements on pages 9 to 30 were authorised for issue by the Board of Directors on 29 March 2021 and were signed on behalf by:



Abigail Nottingham
Director

Macquarie International Limited

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

	Note	Called up share capital £	Equity contribution from ultimate parent £	Other reserves £	Profit and loss account Restated ¹ £	Total shareholders' funds £
Balance at 1 April 2018		2,500,000	12,322,264	4,501,583	2,237,208	21,561,055
Profit for the financial year		-	-	-	1,325,845	1,325,845
Other comprehensive income, net of tax		-	-	804,639	-	804,639
Total comprehensive income		-	-	804,639	1,325,845	2,130,484
Other equity movements:						
Deferred tax on share-based payments	11	-	981,344	-	-	981,344
Balance at 31 March 2019¹		2,500,000	13,303,608	5,306,222	3,563,053	24,672,883
Profit for the financial year		-	-	-	1,096,132	1,096,132
Other comprehensive income, net of tax		-	-	423,683	-	423,683
Total comprehensive income		-	-	423,683	1,096,132	1,519,815
Other equity movements:						
Deferred tax on share-based payments	11	-	(149,785)	-	-	(149,785)
Increase in equity contribution	11	-	58	-	-	58
Balance at 31 March 2020		2,500,000	13,153,881	5,729,905	4,659,185	26,042,971

¹The comparative figures have been restated for 2019, refer to Note 2(xiii).

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

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

Note 1. Company information

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

Note 2. Summary of significant accounting policies

i) Basis of preparation

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

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

- financial assets and liabilities that are otherwise measured on an amortised cost basis.
- obligations in terms of cash-settled share-based payment obligations which are typically measured with reference to Macquarie Group Limited's ("MGL's") share price in accordance with IFRS 2.

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

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

In accordance with FRS 101, the Company has availed of an exemption from the following paragraphs of IFRS:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received as determined).
- 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 IFRS 7 'Financial Instruments: Disclosures'.
- 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 paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

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

The profit for Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

Critical accounting estimates and significant judgements

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

- estimates in recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (Note 2(v)).
- judgement in determining share based payments through equity settled awards or cash settled awards (Note 2 (x)).

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 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.

COVID-19 impact

Background

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

Processes applied

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

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

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

Note 2. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

COVID-19 impact (continued)

Consideration of the statements of financial position and further disclosures

Key statements of financial position sheet items and related disclosures that have been impacted by COVID-19 were as follows:

Loans and receivables

In response to COVID-19 the Company undertook a review of other financial asset exposures and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. Refer to Note 2(ix).

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

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

ii) Going concern

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

iii) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the 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, except when deferred in equity.

Subsidiaries and other entities

The Company has a branch in Hong Kong. The results and financial position of all foreign operations that have a functional currency other than Pounds Sterling are translated into Pounds Sterling as follows:

- assets and liabilities included in the balance sheet presented are translated at the closing exchange rate at the date of that balance sheet. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.
- income and expenses included in the profit and loss account are translated at actual exchange rates at the dates of the transactions
- all resulting exchange differences are recognised in OCI within a separate component of reserves, being the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, exchange differences recognised in the FCTR are reclassified to the profit and loss account as part of other operating income and expenses.

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

When a foreign operation is disposed of, exchange differences recognised in the FCTR are reclassified to the profit and loss account and recognised in investment income as part of other operating income and expenses.

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

Note 2. Summary of significant accounting policies (continued)

iv) Revenue and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for each major revenue stream as follows:

Net interest income/expense

Interest income and interest expense are recognised using the effective interest rate ("EIR") method for financial assets and financial 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.

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.

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 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.

Fee and commission income

Fee and commission income is recognised as the related services are performed. Where fees are subject to claw back or meeting certain performance hurdles, they are recognised as income at the point when the performance obligation is satisfied.

Other operating income/expenses

Other operating income/expenses comprises of other gains and losses relating to foreign exchange differences and credit impairment charges.

Expenses

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

Fee expense

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

v) Taxation

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

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

An amount of £32,000,000 (no expiration date) of unused tax losses in Hong Kong against which no deferred tax is recognised in the financial statements.

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

Note 2. Summary of significant accounting policies (continued)

v) Taxation (continued)

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

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

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

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

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

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

vi) Financial instruments

Recognition of financial instruments

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

A financial instrument is initially recognised at fair value 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 income statement over the life of the transaction or when the inputs become observable. The Company applies this day 1 profit or loss policy to all financial instruments measured at fair value.

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

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

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

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

Derecognition 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.

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 expenses.

Classification and subsequent measurement

Financial assets

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

Business model assessment

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

- 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;
- 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
- 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.

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

Note 2. Summary of significant accounting policies (continued)

vi) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised cost

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

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

Fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income ("FVOCI") are 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 FVTPL
- 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").

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.

Offsetting of financial instruments

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

vii) Provisions

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

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

Note 2. Summary of significant accounting policies (continued)

vii) Provisions (continued)

Employee benefits provisions

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

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

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled, or is transferred to another entity and the Company is legally released from the obligation and does not retain a constructive obligation.

viii) Due to/ from related entities

Transactions between the Company and related entities principally arise from the provision of banking and other financial services, lending arrangements and acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees. Refer to Note 2(iv) Revenue and expense recognition and Note 2(vi) Financial instruments.

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

ix) Impairment

Expected credit losses ("ECL")

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

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

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL

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

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

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company 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. Detail on the Company's process to determine whether there has been a SICR is provided in Note 7 Debtors under the sub-heading ECL on Debtors.

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.

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

Note 2. Summary of significant accounting policies (continued)

ix) Impairment (continued)

Expected credit losses ("ECL") (continued)

(iii) Stage III – Lifetime ECL credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired, which generally matches the APRA definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

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

Presentation of loss allowances

The loss allowances for ECL are presented in the balance sheet as a deduction to the gross carrying amount.

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.

x) Performance based remuneration

Share-based payments

The ultimate parent Company, MGL, operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan ("MEREP") granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 15 Employee equity participation. The Company accounts for its share-based payments as follows:

Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. Performance hurdles attached to Performance Share Units ("PSUs") under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest. On vesting, the amount recognised in the share-based payment reserve is transferred to contributed equity. For the Company, the accounting is dependent on whether the Company is compensated for its obligations under the MEREP award. To the extent that employing subsidiaries compensate the Company for the MEREP offered to their employees', a recharge liability due to subsidiaries is recognised by the Company at grant date representing the payment received in advance of the award being settled. This liability reduces over the vesting period with a corresponding increase in equity. MEREP liabilities are recognised and disclosed in Note 10. To the extent that employing subsidiaries do not compensate the Company for the MEREP offered to their employees', the Company reflects the provision of the equity settled award as a contribution to its subsidiary and as a result increases its investment in subsidiary.

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

Profit share remuneration

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

xi) Called up share capital

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

xii) Capital redemption reserve

The Companies Act 2006, requires that redemptions of shares must be financed out of either:

- distributable profits;
- the proceeds of a fresh issue of shares made for the purposes of the redemption; or
- out of capital (for private companies only and provided the company complies with specific additional procedures).

The capital contribution from Macquarie Corporate International Holdings Pty Limited will be used to create distributable profits in the Company in order to finance the redemption.

Macquarie International Limited

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

Note 2. Summary of significant accounting policies (continued)

xiii) Comparatives

In the prior year, the recharge of employment expenses relating to UK head office employees that were on secondment to another Macquarie group entity were under charged, resulting in Turnover being understated by £66,210. The recharge revenue was determined on an incorrect mark-up and this has been corrected in the current year. Accordingly, comparative information for the previous year has been restated for an increase in Turnover by £66,210, an increase in Debtors of £66,210, and an increase in tax on profit by £12,580.

In 2019, the Company presented credit impairment charges as part of the line item administrative expenses. In 2020 credit impairment charges are mapped and included as part of other operating income and expenses. This is a voluntary change in mapping as it has been determined that credit impairment charges should be presented as part of other operating income and expenses in order to reflect a more accurate presentation on the face of the income statement.

There is no impact on the retained earnings or net assets.

	Revised	Previously reported	Change
2019 Profit and loss account			
Administrative expenses	(4,041,349)	(4,035,035)	(6,314)
Other operating (expenses)/income	10,594	4,280	6,314
Income statement total	(4,030,755)	(4,030,755)	-

In accordance with FRS 101 8(g) the Company has applied an exemption from the requirements of IFRS IAS 1 para 40A-D of presenting a third balance sheet.

In 2019, the Company also presented the line item "Effect of changes in tax rates" incorrectly under the reconciliation of effective tax rate.

The table below represents the reconciliation of the tax on profit as disclosed in the Company's 31 March 2019 financial statements, to the tax on profit after reclassifications.

	Revised	Previously reported	Change
Note 7. Tax on profit			
ii) Reconciliation of effective tax rate			
Profit before taxation ¹	1,329,655	1,263,831	65,824
Current tax charge at 19% (2019: 19%) ¹	(252,634)	(240,128)	(12,506)
Effect of:			
Adjustments in respect of previous	(3,685)	(3,685)	-
Foreign tax suffered	(2,296)	(2,296)	-
Share based payments	118,890	118,890	-
Effect of changes in tax rates	96,562	122,209	(25,647)
Difference in overseas tax rates	25,647	-	25,647
Non-taxable income - Other	1,200	1,200	-
Total tax on profit	(16,316)	(3,810)	(12,506)

¹The comparative figures of Profit before taxation with associated tax impact have been restated for 2019. The change in profit before taxation is related to this restatement.

Where necessary, comparative information has been reclassified to conform to changes in presentation in the current year.

Macquarie International Limited

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

	2020 £	2019 Restated £
Note 3. Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Wages and salaries	2,356,257	4,614,729
Other pension costs	1,812	4,574
Share based payment costs	714,561	346,621
Staff costs	3,072,630	4,965,924
Other gains	(48,528)	(950,264)
Foreign exchange losses/(gains)	59,869	(3,894)
Credit impairment reversals	(48,424)	(6,314)
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company ¹	38,666	23,083
Fees payable to the Company's auditors for other services	8,239	2,607

¹Fees payable to the Company's auditors for current year includes £11,351 relating to the previous year.

Note 4. Employee information

The average number of persons employed by the Company during the year calculated on a monthly basis was:

	No. of employees 2020	No. of employees 2019 Restated
By activity:		
Financial Management Group	1	1
Macquarie Capital	3	6
Macquarie Asset Management	1	3
Total employees	5	10

	2020 £	2019 £
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Note 5. Interest receivable and similar income

Interest receivable from other Macquarie Group undertakings	889,330	1,112,712
Total interest receivable and similar income	889,330	1,112,712

Includes interest income calculated using effective interest method of £889,330 (2019: £1,112,712) on the financial assets in the Company that are measured at amortised cost.

Note 6. Interest payable and similar expenses

Interest payable to other Macquarie Group undertakings	108,546	67,496
Total interest payable and similar expenses	108,546	67,496

Includes interest expense of £108,546 (2019: £67,496) on the financial liabilities measured at amortised cost.

Macquarie International Limited

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

	2020 £	2019 Restated ¹ £
Note 7. Taxation		
i) Tax expense included in profit or loss		
Current tax		
UK corporation tax at 19% (2019: 19%)	1,688,853	147,439
Adjustments in respect of previous periods	642,875	607,656
Foreign tax suffered	(62)	(2,296)
Total current tax	2,331,666	752,799
Deferred tax		
Origination and reversal of temporary differences	(1,892,284)	(254,410)
Adjustments in respect of previous periods	(642,875)	(611,341)
Effect of changes in tax rates	382,603	96,562
Total deferred tax	(2,152,556)	(769,189)
Tax on profit on ordinary activities	179,110	(16,390)

ii) Reconciliation of effective tax rate

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

Profit before taxation	917,022	1,329,655
Current tax charge at 19% (2019: 19%)	(174,234)	(252,634)
Effect of:		
Adjustments in respect of previous periods	-	(3,685)
Foreign tax suffered	(62)	(2,296)
Share based payments	(31,812)	118,890
Effect of changes in tax rates	382,603	96,562
Difference in overseas tax rates	-	25,647
Non-taxable income - Other	2,615	1,200
Total tax on profit	179,110	(16,316)

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) Deferred tax comprises timing differences attributable to:

Deferred tax assets

Profit share retentions and leave entitlements	1,647,196	4,784,620
Total deferred tax assets	1,647,196	4,784,620

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

Balance at the beginning of the financial year	4,784,620	5,144,444
Amounts credited/debited to profit and loss	(1,892,284)	(254,410)
Effect of changes in tax rates	382,603	96,562
Deferred tax charged to equity	(1,112,546)	(42,318)
Effect of changes in tax rates in equity	127,678	4,455
Effect of changes in foreign exchange rates	-	447,228
Adjustment in respect of previous periods	(642,875)	(611,341)
Balance at the end of the financial year	1,647,196	4,784,620

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

¹The comparative figures and associated tax impact have been restated for 2019. Refer Note 2(xiii).

Macquarie International Limited

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

	2020 £	2019 Restated ¹ £
Note 8. Debtors		
Amounts owed from other Macquarie Group undertakings ²	27,740,490	39,775,053
Other debtors ³	685,503	1,066,161
Taxation	2,530,519	1,739,411
Total debtors	30,956,512	42,580,625

¹The comparative figures have been restated for 2019, refer to Note 2(xiii) for further details.

²Amounts owed from other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2020 the rate applied ranged between LIBOR plus 0.85% and LIBOR plus 2.86% (2019: between LIBOR plus 1.49% and LIBOR plus 2.41%). At the reporting date, amounts owed from other Macquarie Group undertakings has ECL allowance of £31,628 (2019: £83,143) which is net presented against the gross carrying amount.

³Other debtors includes prepaid amounts relating to AscenderPay but not yet released to employees as yet and also includes prepaid amounts which form part of the MEREP employee equity participation plan.

ECL on Debtors

	Stage I 12 month ECL £	Lifetime ECL		Total ECL Allowance £
		Stage II Not credit impaired £	Stage III Credit impaired £	
Balance as at 1 April 2019	(83,143)	-	-	(83,143)
Impairment reversal	59,869	-	-	59,869
Foreign exchange gains	(8,354)	-	-	(8,354)
Balance as at 31 March 2020	(31,628)	-	-	(31,628)

	2020 £	2019 £
Note 9. Creditors: amounts falling due within one year		
Amounts owed to other Macquarie Group undertakings ¹	183,818	4,576,829
Taxation	-	151
Accruals and deferred income	57,071	5,052
Other creditors	311	588
Total creditors: amounts falling due within one year	241,200	4,582,620

¹Amounts owed to other Macquarie group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2020 the rate applied was LIBOR plus 2.30% (2019: LIBOR plus 1.93%).

Note 10. Provisions for liabilities

Provision for employee entitlements	6,319,151	18,109,356
Total provisions for liabilities	6,319,151	18,109,356

Reconciliation of provision:

Balance at the beginning of the financial year	18,109,356	28,388,800
Provisions used during the year	(12,149,528)	(10,311,422)
Provisions made during the year	376,739	836,094
Foreign exchange movements	71,951	1,784,259
Transfers from Group undertakings	(89,367)	(2,588,375)
Balance at the end of the financial year	6,319,151	18,109,356

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

Macquarie International Limited

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

	2020 £	2019 £
Note 10. Provisions for liabilities (continued)		
Maturity profile of provision for employee entitlements		
Within 1 year	3,845,361	6,386,814
Between 1 and 2 years	1,499,526	5,319,395
Between 2 and 10 years	974,264	6,403,147
Balance at the end of the financial year	6,319,151	18,109,356

Note 11. Called up share capital

	2020 Number of shares	2019 Number of shares	2020 £	2019 £
Called up share capital				
Opening balance of fully paid ordinary shares at £1.00 per share	2,500,000	2,500,000	2,500,000	2,500,000
Closing balance of fully paid ordinary shares at £1.00 per share	2,500,000	2,500,000	2,500,000	2,500,000
Equity contribution from ultimate parent entity				
Balance at the beginning of the financial year			13,303,608	12,322,264
Deferred tax on share-based payments			(149,785)	981,344
Additional equity contribution			58	-
Balance at the end of the financial year			13,153,881	13,303,608

	2020 £	2019 Restated ¹ £
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Note 12. Other reserves and profit and loss account

Other reserves

Foreign currency translation reserve

Balance at the beginning of the financial year	806,222	1,583
Currency translation differences arising during the financial year ²	423,683	804,639
Balance at the end of the financial year	1,229,905	806,222

²Exchange differences arising from the translation of the Company's foreign branch, which have local currencies other than sterling, are taken to the foreign currency translation reserve.

Capital redemption reserve

Balance at the beginning of the financial year	4,500,000	4,500,000
Balance at the end of the financial year	4,500,000	4,500,000

Total other reserves	5,729,905	5,306,222
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Profit and loss account

Balance at the beginning of the financial year	3,563,053	2,327,051
Net effect of initial adoption of IFRS 9	-	(89,843)
Profit for the financial year	1,096,132	1,325,845
Balance at the end of the financial year	4,659,185	3,563,053

¹The comparative figures have been restated for 2019, refer to Note 2(xiii) for further details.

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

Note 13. Related party information

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

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

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 17.

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 14. 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 15. Employee equity participation

Macquarie Group Employee Retained Equity Plan ("MEREP")

The Company participates in its ultimate parent Company's, MGL, share based compensation plans, being the MEREP. In terms of this plan, awards are granted by MGL to qualifying employees for delivery of MGL shares.

Award Types under the MEREP

Restricted Share Units ("RSUs")

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

	Number of RSU Awards	
	2020	2019
RSUs on issue at the beginning of the financial year	55,906	296,065
Granted during the financial year	3,649	21,191
Forfeited during the financial year	(213)	(41,307)
Vested RSUs withdrawn or sold from the MEREP during the financial year	(26,832)	(113,165)
Net transfers to related body corporate entities	(13,282)	(106,878)
RSUs on issue at the end of the financial year	19,228	55,906
RSUs vested and not withdrawn from the MEREP at the end of the financial year	-	16,618

The weighted average fair value of the RSU awards granted during the financial year was £67.44 (2019:£65.65).

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

Note 15. Employee equity participation (continued)

Deferred Share Units ("DSUs")

A DSU represents the right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by MGL in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. MGL may issue shares to the Trustee or direct the Trustee to acquire shares on-market, or via a share acquisition arrangement for potential future allocations to holders of DSUs.

Generally, where permitted by law, DSUs will provide for cash payments in lieu of dividends paid on MGL ordinary shares before the DSU is exercised. Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of MGL in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of MGL shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

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

	Number of DSU Awards	
	2020	2019
DSUs on issue at the beginning of the financial year	23,561	23,642
Granted during the financial year	2,667	3,219
Forfeited during the financial year	-	(1,883)
Exercised during the financial year	(18,160)	(1,417)
DSUs on issue at the end of the financial year	8,068	23,561
DSUs exercisable at the end of the financial year	340	16,835

The weighted average fair value of the DSU awards granted during the financial year was £67.44 (2019:£65.65).

Participation in the MEREP is currently provided to the following Eligible Employees:

- Executive Directors with retained Directors' Profit Share ("DPS") from 2009 onwards, a proportion of which is allocated in the form of MEREP awards ("Retained DPS Awards").
- Staff other than Executive Directors with retained profit share above a threshold amount ("Retained Profit Share Awards") and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards ("Promotion Awards").
- Macquarie Bank staff with retained commission ("Commission Awards").
- New Macquarie Bank staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value, depending on level ("New Hire Awards").
- Members of the MBL Executive Committees who are eligible for PSUs ("PSU awards").
- In limited circumstances, Macquarie Bank staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of the Macquarie Bank upon the acquisition of their employer by an Macquarie Bank entity or who receive an additional award at the time of joining Macquarie (also referred to above as New Hire Awards).

Vesting periods are as follows:

Award type	Level	Vesting
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant ¹
Retained DPS Awards	Executive Committee member and Designated Executive Director	1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant outstanding ²
Retained DPS Awards	All other Executive Director	1/3rd in the 3rd, 4th and 5th year following the year of grant ²
New hire awards	All Director-level staff	1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of the date of allocation

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

Note 15. Employee equity participation (continued)

Deferred Share Units ("DSUs") (continued)

¹Vesting will occur during an eligible staff trading window.

²Vesting will occur during an eligible staff trading window. If an Executive Director has been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly.

In limited cases, the application form for awards may set out a different vesting period, in which case that period will be the vesting period for the award. For example, staff in jurisdictions outside Australia may have a different vesting period due to local regulatory requirements.

For Retained Profit Share awards representing 2019 retention, the allocation price was the weighted average price of the shares acquired for the 2019 purchase period, which was 14 May 2019 to 21 June 2019. That price was calculated to be £60 (2018 retention: £56).

Assumptions used to determine fair value of MEREP awards

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

RSUs, DSUs and PSUs relating to the MEREP plan for Executive Committee members have been granted in the current financial year in respect of 2019. The accounting fair value of each of these grants is estimated using the MGL's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 0.78% per annum.
- expected vesting dates of PSUs: 1 July 2022 and 1 July 2023.
- dividend yield: 4.96% per annum.

While RSUs, DSUs and PSUs (for Executive Committee members) for the FY2019 will be granted during FY2020, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2019. The expense is estimated using the price of MGL ordinary shares as at 31 March 2020 and the number of equity instruments expected to vest.

For PSUs, the estimate also incorporates an interest rate to maturity of 1.95% per annum, expected vesting date of PSUs of 1 July 2024, and a dividend yield of 5.08% per annum. In the following financial year, the Company will adjust the accumulated expense recognised for the final determination of fair value for each RSU, DSU and PSU when granted and will use this validation for recognising the expense over the remaining vesting period.

The Company annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the employment expenses in the income statement.

For the year ended 31 March 2020, compensation expenses relating to the MEREP totalled £714,561 (2019: £346,621).

Note 16. Contingent liabilities and commitments

The Company has no commitments or contingent liabilities (2019: no commitments or contingent liabilities) which are individually material or a category of commitments or contingent liabilities which are material.

Note 17. Ultimate parent undertaking

At 31 March 2020, the immediate parent undertaking of the Company was Macquarie Corporate International Holdings Pty Limited ("MCIHPL").

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

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

Note 18. Events after the reporting date

After the reporting period, the Company's principal activity changed from facilitating employment and secondment agreements to acting as an investment holding company. This change was a result of an intra-group reorganisation to transfer the MAM business under a separate holdings structure in the Macquarie Group. The shares in the Company were transferred from MCIHPL to MAMUKH and additional capital was injected in the Company to facilitate the intra-group acquisition of other MAM subsidiaries.

The Company made additional investments in the following after the reporting date:

- Macquarie Infrastructure and Real Assets Investments Limited of £551,731,668;
- MEIF (UK) Limited of £100;
- MPF Nominees Limited of £1.00;
- Peel Logistics General Partner Limited of £3,813.
- Peel Logistics Limited Partnership of £5,387,188;
- Peel Logistics Management Limited of £2,974,759; and
- UK Green Investment Climate International Limited of £8,000,001.

There were no other 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.