MACQUARIE INTERNATIONAL LIMITED

COMPANY NUMBER 01802574

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2018

MACQUARIE

The Company's registered office is:

Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD
United Kingdom

Macquarie International Limited

2018 Strategic Report, Directors' Report and Financial Statements

Contents

Strategic Report
for the financial year ended 31 March 2018

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

Principal activities

The principal activity of the Company within the United Kingdom is to facilitate employment agreements with Asia and United Kingdom entities within the Macquarie Group.

The principal activity of the Hong Kong branch is to facilitate employment and secondment agreements amongst various Hong Kong entities within the Macquarie Group.

Review of operations

The profit for the financial year ended 31 March 2018 was £1,344,797, as compared to loss of £347,074 in the previous financial year.

Net operating income for the financial year ended 31 March 2018 was £560,842, an increase from the operating income of £378,018 in the previous financial year.

Total operating expenses for the year ended 31 March 2018 was £15,176,747, a decrease from £21,521,338 in the previous year.

As at 31 March 2018, the Company had net assets of £21,650,898 (2017: £20,850,770).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Company, are discussed in MGL's financial statements and can be obtained from the address given in note 16.

Financial risk management

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

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

Strategic Report (continued)
for the financial year ended 31 March 2018

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

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

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

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

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

On behalf of the Board

ABIGAIL NOTTINGHAM
Director
6 December 2018

Directors' Report
for the financial year ended 31 March 2018

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

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

A Nottingham	(appointed on 21 December 2017)
H Coleman	(resigned on 21 December 2017)
R Thompson	
J Walker	

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

H Everitt

Results
The profit for the financial year ended 31 March 2018 was £1,344,797 (2017: loss £347,074).

The Hong Kong branch contributed a profit of £1,088,128 and an overall profit on ordinary activities before taxation of £1,224,417. In the prior year the contribution was a profit of £77,005 from the Hong Kong branch and an overall profit on ordinary activities before taxation of £362,983.

Dividends paid or provided for
No dividends were paid or provided for during the financial year (2017: nil).

No final dividend has been proposed.

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

Events after the reporting period
At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2018 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.

Directors' Report (continued)
for the financial year ended 31 March 2018

Indemnification and insurance of Directors
As permitted by the Companies 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 Company Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The ultimate parent purchased and maintained throughout the financial year directors' liability insurance in respect of the Company and its Directors.

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

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

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

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

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

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

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

On behalf of the Board

ABIGAIL NOTTINGHAM
Director
6 December 2018

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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; 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 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.

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.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Amena Shaista

Amena Shaista (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
~~November 2018~~
7/Dec/2018

Financial Statements

Profit and loss account
for the financial year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	2(iv)	**15,807,109**	21,848,201
Administrative expenses	3	**(15,176,747)**	(21,521,338)
Other operating (expense)/income		**(69,520)**	51,155
Operating profit		**560,842**	378,018
Interest receivable and similar income	4	**987,480**	936,868
Interest payable and similar charges	5	**(110,341)**	(157,107)
Profit on ordinary activities before taxation	3	**1,437,981**	1,157,779
Tax on profit on ordinary activities	6	**(93,184)**	(1,504,853)
Profit/(loss) for the financial year		**1,344,797**	(347,074)

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

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

Macquarie International Limited

Statement of comprehensive income
for the financial year ended 31 March 2018

	Note	2018 £	2017 £
Profit/(loss) for the financial year		**1,344,797**	(347,074)
Other comprehensive (expense)/ income:			
Exchange differences on translation of foreign operations	11	**(1,151,709)**	1,309,120
Total other recognised (losses)/ gains for the financial year		**(1,151,709)**	1,309,120
Total other comprehensive (expense)/income		**(1,151,709)**	1,309,120
Total comprehensive income		**193,088**	962,046
Total comprehensive income attributable to ordinary equity holders of the Company		**193,088**	962,046

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

Macquarie International Limited

Balance sheet
as at 31 March 2018

	Note	2018 £	2017 £
Current assets			
Debtors	7	**45,732,018**	47,262,025
Deferred tax asset	6	**5,144,444**	8,103,756
Creditors: amounts falling due within one year	8	**(836,764)**	(482,394)
Net current assets		**50,039,698**	54,883,387
Total assets less current liabilities		**50,039,698**	54,883,387
Provisions for liabilities	9	**(28,388,800)**	(34,032,617)
Net assets		**21,650,898**	20,850,770
Capital and reserves			
Called up share capital	10	**2,500,000**	2,500,000
Contribution from ultimate parent entity in relation to share-based payments	10	**12,322,264**	11,715,224
Other reserves	11	**4,501,583**	5,653,292
Profit and loss account	11	**2,327,051**	982,254
Total shareholders' funds		**21,650,898**	20,850,770

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 21 were authorised for issue by the Board of Directors on 6 December 2018 2018.

ABIGAIL NOTTINGHAM
Director

Statement of changes in equity
for the financial year ended 31 March 2018

	Note	Called up share capital £	Contribution from ultimate parent entity in relation to share-based payments £	Other reserves £	Profit and loss account £	Total shareholders' funds £
Balance at 1 April 2016		2,500,000	10,728,628	4,344,172	1,329,328	18,902,128
Loss for the financial year		-	-	-	(347,074)	(347,074)
Other comprehensive income		-	-	1,309,120	-	1,309,120
Total comprehensive income		-	-	1,309,120	(347,074)	962,046
Other equity movements:						
Share-based payments		-	-	-	-	-
Deferred tax on share-based payments	10	-	986,596	-	-	986,596
Balance at 31 March 2017		2,500,000	11,715,224	5,653,292	982,254	20,850,770
Profit for the financial year		**-**	**-**	**-**	**1,344,797**	**1,344,797**
Other comprehensive expense		**-**	**-**	**(1,151,709)**	**-**	**(1,151,709)**
Total comprehensive income		**-**	**-**	**(1,151,709)**	**1,344,797**	**193,088**
Other equity movements:						
Deferred tax on share-based payments	10	**-**	**607,040**	**-**	**-**	**607,040**
Balance at 31 March 2018		**2,500,000**	**12,322,264**	**4,501,583**	**2,327,051**	**21,650,898**

Notes to the financial statements for the financial year ended 31 March 2018

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

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 under the historical cost convention and in accordance with the Companies Act 2006.

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.

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:

- recoverability of deferred tax assets and measurement of current and deferred tax liabilities (note 6).

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

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

Notes to the financial statements (continued) for the financial year ended 31 March 2018

Note 2. Summary of significant accounting policies (continued)

ii) Going concern

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

iii) Foreign currency 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.

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.

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 expense are brought to account using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the 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 associated with loans are capitalised and included in the effective interest rate and recognised in the profit and loss account over the expected life of the instrument.

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 it is highly probable that those conditions will not affect the outcome.

Other operating income/(expenses)

Other operating income/(expenses) comprises other gains and losses relating to foreign exchange differences which are recognised in the profit and loss account.

Expenses

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

Notes to the financial statements (continued)
for the financial year ended 31 March 2018

Note 2. Summary of significant accounting policies (continued)

v) Taxation

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

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

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

The Company undertakes transactions in the ordinary course of business where the income tax treatment and recognition of deferred tax assets requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

vi) Investments in financial assets

Investments and other financial assets are classified into the following categories: loans and receivables. The classification depends on the purpose for which the financial asset was acquired, which is determined at initial recognition and, except for other financial assets at fair value through profit or loss, is re-evaluated at each balance sheet date.

Loans and receivables

This category includes loan assets held at amortised cost, other receivables and amounts due from related entities, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised on settlement date, when cash is advanced to the borrower.

vii) Impairment

Loans and receivables

Loans and receivables are subject to regular review and assessment for possible impairment. Provisions for impairment on loans and receivables are recognised based on an incurred loss model and re-assessed at each reporting date. A provision for impairment is recognised when there is objective evidence of impairment, and is calculated based on the present value of expected future cash flows, discounted using the original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the Profit and Loss account to the extent of what the amortised cost would have been had the impairment not been recognised.

When the Company concludes that there is no reasonable expectation of recovering cash flows from the asset and all possible collateral has been realised, the loan 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.
Bad debts are written off in the period in which they are identified.

Notes to the financial statements (continued)
for the financial year ended 31 March 2018

Note 2. Summary of significant accounting policies (continued)

viii) Provisions

Employee benefits

A liability for employee benefits is recognised by the entity 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, except where there is no deep market in which case rates on which actual government securities are used. 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.

ix) Performance based remuneration

Share based payments

The ultimate parent entity, 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 14. The entity recognises an expense for its awards granted to its employees. The awards are measured at the grant dates based on their fair value and using the number of equity instruments expected to vest. This amount is recognised as an expense over the respective vesting periods.

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 grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest.

Profit share remuneration

The Company recognises a liability and an expense for profit share remuneration to be paid in cash.

x) Offsetting 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.

xi) Called up share capital

Ordinary shares 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.

Notes to the financial statements (continued)
for the financial year ended 31 March 2018

	2018 £	2017 £
Note 3. Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Wages and salaries	12,108,412	14,729,443
Social security costs	67,017	60,458
Other pension costs	10	12,620
Share based payment costs	2,252,099	5,914,503
Staff costs	14,427,538	20,717,024
Other operating expenses	883,753	765,574
Foreign exchange losses/(gains)	69,520	(51,155)
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company	21,979	36,051
Fees payable to the Company's auditors for other services	113	2,689
Note 4. Interest receivable and similar income		
Interest receivable from other Macquarie Group undertakings	987,480	936,868
Total interest receivable and similar income	987,480	936,868
Note 5. Interest payable and similar charges		
Interest payable to other Macquarie Group undertakings	110,341	157,107
Total interest payable and similar charges	110,341	157,107
Note 6. Taxation		
i) Tax expense included in profit or loss		
Current tax		
UK corporation tax at 19% (2017: 20%)	2,044,212	(1,182,392)
Adjustments in respect of previous periods	(30,281)	(542,808)
Foreign tax suffered	(27,543)	(562,461)
Total current tax	1,986,388	(2,287,661)
Deferred tax		
Origination and reversal of temporary differences	(2,550,659)	1,284,163
Adjustments in respect of previous periods	139,293	32,520
Effect of changes in tax rates	331,794	(533,875)
Total deferred tax	(2,079,572)	782,808
Tax on profit on ordinary activities	(93,184)	(1,504,853)

Notes to the financial statements (continued) for the financial year ended 31 March 2018

	2018 £	2017 £

Note 6. Taxation (continued)

ii) Reconciliation of effective tax rate

The taxation charge for the year ended 31 March 2018 is lower (2017: equal) than the standard rate of corporation tax in the UK of 19% (2017:20%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	**1,437,982**	1,157,779
Current tax charge at 19% (2017: 20%)	**(273,217)**	(231,556)
Effect of:		
Adjustments in respect of previous periods	**109,012**	(510,287)
Expenses not deductible for tax purposes	**-**	(359)
Foreign tax suffered	**(27,543)**	(562,461)
Deduction for foreign tax suffered	**-**	560,652
Loss from membership in LP	**(752)**	193
Share based payments	**(206,829)**	(227,159)
Effect of changes in tax rates	**306,145**	(533,875)
Total tax on profit on ordinary activities	**(93,184)**	(1,504,853)

The tax rate for the current year is the same as the prior year. The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured at 17%.

(iii) Deferred tax comprises timing differences attributable to:

	2018 £	2017 £
Deferred tax assets		
Other assets	**5,170,090**	8,103,756
Tax losses		
Total deferred tax assets	**5,170,090**	8,103,756
Deferred tax liabilities		
Tax losses	**(25,646)**	-
Total deferred tax liabilities	**(25,646)**	-
Total Deferred tax assets	**5,144,444**	8,103,756

(iv) Deferred tax comprises timing differences attributable to:

	2018 £	2017 £
Balance at the beginning of the financial year	**8,103,756**	6,713,216
Deferred tax charged to profit and loss account for the period	**(2,550,660)**	1,284,163
Effect of changes in tax rates	**331,795**	(533,875)
Deferred tax charged to equity	**(159,940)**	758,018
Effect of changes in tax rates in equity	**16,837**	(150,286)
Effect of changes in foreign exchange rates	**(736,637)**	-
Adjustment in respect of previous periods	**139,293**	32,520
Balance at the end of the financial year	**5,144,444**	8,103,756

Note 7. Debtors

	2018 £	2017 £
Amounts owed from other Macquarie Group undertakings[1]	**38,877,301**	41,548,916
Other debtors	**3,527,479**	5,469,771
Taxation	**3,327,238**	243,338
Total debtors	**45,732,018**	47,262,025

[1]Amounts 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 2018 the rate applied ranged between LIBOR plus 1.36% and LIBOR plus 2.73% (2017: between LIBOR plus 1.90% and LIBOR plus 2.46%).

Notes to the financial statements (continued)
for the financial year ended 31 March 2018

	2018 £	2017 £
Note 8. Creditors: amounts falling due within one year		
Amounts owed to other Macquarie Group undertakings[1]	**689,521**	437,814
Taxation	**151**	767
Accruals and deferred income	**70,737**	41,242
Other creditors	**76,355**	2,571
Total creditors	**836,764**	482,394

[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 2018 the rate applied was LIBOR plus 2.26% (2017: LIBOR plus 2.46%).

Note 9. Provisions for liabilities

	2018 £	2017 £
Provision for employee entitlements	**28,388,800**	34,032,617
Total provisions for liabilities	**28,388,800**	34,032,617

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

	2018 £	2017 £
Reconciliation of provision:		
Balance at the beginning of the financial year	**34,032,617**	37,305,063
Provisions used during the year	**(9,352,164)**	(13,944,990)
Provisions made during the year	**6,666,702**	7,030,985
Foreign exchange movements	**(2,947,461)**	3,705,862
Transfers from Group undertakings	**(10,894)**	(64,303)
Balance at the end of the financial year	**28,388,800**	34,032,617

	2018 £	2017 £
Maturity profile of provision for employee entitlements		
Within 1 year	**17,125,977**	9,317,730
Between 1 and 2 years	**5,673,852**	7,299,382
Between 2 and 10 years	**5,588,971**	17,415,505
Balance at the end of the financial year	**28,388,800**	34,032,617

Note 10. Called up share capital

	2018 Number of shares	2017 Number of shares	2018 £	2017 £
Called up share capital				
Opening balance of fully paid ordinary shares	**2,500,000**	2,500,000	**2,500,000**	2,500,000
Closing balance of fully paid ordinary shares	**2,500,000**	2,500,000	**2,500,000**	2,500,000
Equity contribution from parent entity				
Balance at the beginning of the financial year			**11,715,224**	10,728,628
Deferred tax on share-based payments			**607,040**	986,596
Balance at the end of the financial year			**12,322,264**	11,715,224

Notes to the financial statements (continued)
for the financial year ended 31 March 2018

	2018 £	2017 £
Note 11. Other reserves and profit and loss account		
Other reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	**1,153,292**	(155,828)
Currency translation differences arising during the financial year	**(1,151,709)**	1,309,120
Balance at the end of the financial year	**1,583**	1,153,292

Exchange 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	**4,501,583**	5,653,292
Profit and loss account		
Balance at the beginning of the financial year	**982,254**	1,329,328
(Loss)/profit for the financial year	**1,344,797**	(347,074)
Balance at the end of the financial year	**2,327,051**	982,254

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 16.

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 year ended 31 March 2018 and 31 March 2017, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

Notes to the financial statements (continued)
for the financial year ended 31 March 2018

Note 14. Employee equity participation
Macquarie Group Employee Retained Equity Plan ("MEREP")
The Company continues to operate the MEREP in conjunction with remuneration arrangements.

Award Types under the MEREP
Restricted Share Units ("RSUs")
A RSU is a beneficial interest in the 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 Trust, subject to the vesting and forfeiture provisions of the MEREP.

For the year ended 31 March 2018, compensation expenses relating to the MEREP totalled £2,252,099 (2017: £5,914,503).

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);
- New Macquarie Group 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)

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 representing 2009 retention	Executive Director	1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant[2]
Retained DPS Awards for 2010 and all future years' retention	Executive Committee member and Designated Executive Director	1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant[2]
Retained DPS Awards for 2010 and all future years' retention	All other Executive Director	1/3rd in the 3rd, 4th and 5th year following the year of grant[1]
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

[1]Vesting will occur during an eligible staff trading window.
[2]Vesting 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.

Notes to the financial statements (continued)
for the financial year ended 31 March 2018

Note 14. Employee equity participation (continued)

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 2017 retention, the allocation price was the weighted average price of the Shares acquired for the 2017 purchase period, which was 16 May 2017 to 22 June 2017. That price was calculated to be AUD$ 89.25 (2016 retention: AUD$ 71.55).

Note 15. 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 16. Ultimate parent undertaking

At 31 March 2018, the immediate parent undertaking of the Company is Macquarie Corporate International Holdings Pty Limited("MCHPL").

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

Note 17. Employee information

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

By activity:	2018	2017
Financial Management Group	2	2
Commodities and Global Markets	2	4
Macquarie Capital	2	2
Macquarie Corporate & Asset Finance	1	2
Macquarie Asset Management	1	1
Total employees	8	11

Note 18. Events after the reporting period

There were no material events subsequent to 31 March 2018 that have not been reflected in the financial statements.